FOREIGN
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Daily Report

Supplement

East Asia

FBIS-EAS-90-050-S
Wednesday
14 March 1990

For Official Use Only

East Asia
SUPPLEMENT

FBIS-EAS-90-050-S *14 March 1990*

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United States

Foreign Ministry on SII, Talks With U.S.

OW0603041390 Tokyo ASAHI SHIMBUN in Japanese 27 Feb 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] The Foreign Ministry is busily preparing broad themes for Japan-U.S. cooperation in such areas as sharing the burden regarding upkeep of the U.S. Forces in Japan, aid to Eastern Europe and Central America, drug trafficking problems, and environmental issues to prevent the Japan-U.S. summit talks from becoming a "summit for structral consultations," in which topics regarding the Structural Impediments Initiatives [SII], the largest pending matter between the United States and Japan, dominate discussions. However, it is an unchanging fact that the ministry is occupied with the handling of the SII talks. There is hardly any time left to map out concrete measures. In addition, the ministry is worried that a mere "expression of resolve" would not constitute "backup support" to the Bush government, which wants to ease pressure from Congress. With the off-year election just ahead, Congress is continuously increasing its criticism of Japan.

The Foreign Ministry anticipates that "at the summit talks, both leaders will neither negotiate individual issues involved in the SII talks, including the large-scale retail trade act and antitrust act, nor will President Bush press the prime minister for definite promises," (according to a high official of the ministry).

With regard to the timing of the unexpected call, which Prime Minister Kaifu received from President Bush in the predawn hours of 24 February immediately after the end of the third Japan-U.S. SII talks—which lasted for two days from 22 February—(a key member of the Foreign Ministry) pointed out: "I do not think there was enough time to analyze the results of the SII talks. Even if the President asked about the results of the SII talks, it is hard to think that he thereupon hurriedly arranged a time to meet the prime minister." It seems the Foreign Ministry wants to prevent this issue from becoming a focal point by denying a direct connection between the SII talks and the holding of the summit talks.

Partly because of this, the ministry came up with a variety of themes, including the issue of sharing the burden of upkeep of the U.S. Forces in Japan, which is of major interest to the United States; support for Eastern Europe and Panama; and measures concerning Nicaragua, where a presidential election has just ended. Regarding the security issue, however, summit consultations on defense have just been held during Defense Secretary Cheney's recent visit to Japan. Although considerable weight may be given to an exchange of opinions on the Soviet and East European situation, there will not be enough time to conclude new proposals regarding "global partnership" in issues of a worldwide scale.

Moreover, on the SII talks, it is a dominant view in the ministry that President Bush will "strongly demand that Prime Minister Kaifu exhibit strong political leadership" to avoid pressure from Congress, where the Democratic Party holds a majority, (according to a key member of the ministry). That is because the U.S. Congress, where the Democratic Party holds a majority, is increasing its criticism of the Bush government's policies toward Japan. Moreover, the atmosphere in Congress is such that the results of the SII talks will be easily linked to consequences enabling the Congress to invoke the Super 301 clause of the Comprehensive Trade Act.

A ministerial consultation between three ministers—the foreign minister, the minister of international trade and industry, and the finance minister—will be held on 28 February, following the inauguration of the new cabinet. In fact, however, "they have no time to have concrete discussions," (according to a key member of the Foreign Ministry).

Decision Process, Trade Friction Linked

OW0303184990 Tokyo MAINICHI DAILY NEWS in English 2 Mar 90 p 9—FOR OFFICIAL USE ONLY

[Text] The current state of friction over trade between Japan and the United States is partly a product of the two countries' different decisionmaking mechanisms, a Foreign Ministry spokesman told foreign correspondents in Tokyo this week. Taizo Watanabe, quoting a explanation he said was exponded by a Japanese participant in recent bilateral trade talks, said U.S. officials prefer to publicly state policies and set targets in the initial stage. They then follow through by implementing the appropriate measures, he said.

"On the part of Japan, first of all the obstacles (to a given goal) are looked into," Watanabe said. "When all the details are worked out, then the final policy guidance comes out."

Watanabe acknowledged that, as a result of this approach, Americans are apt to "feel frustrated" when listening to Japanese officials explain the immediate difficulties faced in tackling a specific problem.

"But when you look at the (end) results, one should feel very happy that the Japanese side has been working very hard to reach some kind of positive conclusion," the spokesman said.

Watanabe suggested that if Japan were to prematurely announce its policies and goals in public and subsequently not be able to follow through with them for any reason, the resulting frustration would be even more intense. "That is something we would like to avoid," the spokesman said.

U.S. trade negotiators last Friday told reporters in Tokyo they were "frustrated and concerned" following two days

of talks on the bilateral trade imbalance which they said were dominated by (Japan's) "defense of the status quo."

Apparently acting on that frustration, President George Bush placed a midnight telephone call to Prime Minister Toshiki Kaifu later that very evening and proposed an immediate summit meeting in California the following week, on March 2-3. Watanabe's perspective on the recent series of bilateral trade talks, which he described as a "very constructive exchange of views," was considerably brighter than that of the U.S. trade representatives. The situation "is not so dark as portrayed by some newspapers," he said.

Watanabe said Japanese officials not only explained the efforts Japan has made to date, "but they also expressed the determination to do whatever they feel they should be doing in the coming one month."

Kaifu's trip to Palm Springs will serve to dispel any doubt that might exist as to the "sincerity and degree" of that determination, he said.

"The American side has suggested various new ideas—some of them are very constructive, others are based on some lack of knowledge about what is going on in the Japanese economy," he said.

Referring specifically to the Structural Impediments Initiative (SII) talks, Watanabe said both sides have agreed there should be "positive thinking" expressed in next April's interim assessment report.

On the so-called "Super 301" talks, which cover alleged barriers to U.S. exports of satellites, supercomputers, and timber, the spokesman said "so much progress has been made in some sectors." But Watanabe reiterated Japan's opposition to any pressure exerted by the U.S. under a "unilateral threat of retailation" and stressed that the talks represent merely an exchange of views rather than "negotiation."

Finance Minister Interviewed on SII Talks, Trade

OW0403224690 Tokyo YOMIURI SHIMBUN in Japanese 1 Mar 90 Morning Edition p 7—FOR OFFICIAL USE ONLY

["Summary" of a YOMIURI SHIMBUN interview with Finance Minister Ryutaro Hashimoto on 28 February—place not given]

[Text] Finance Minister Ryutaro Hashimoto, in a YOMIURI SHIMBUN interview on 28 February, touched on the estimated budget demand (ceiling) for public works. Currently this is set at the same amount as the previous year. He said: "I would like to study it more in order to cope with the new era in which we will emerge from the deficit bond." He thus hinted at the possibility of forming a policy designed to ease the ceiling. In the Japan-U.S. Structural Impediments Initiative talks, the United States is demanding that Japan significantly increase its public investment. His comment is thought to be an indication that he is concerned a strong demand will be made again at the Japan-U.S. talks slated for 2 and 3 March.

On the public works projects and the Japan-U.S. Structural Impediments Initiative talks, Finance Minister Hashimoro said: "The United States appraises Japan's public works projects under the budget for fiscal 1991. We will promote facilitation of social capital even without being told to do so by the United States." He then commented on the zero ceiling: "We will enter into a new period in which we will be free of deficit bond, following the budget for fiscal 1991. In order to cope with this, we would like to make a thorough study about the possibility of setting a ceiling for fiscal 1992 by this summer."

The ceiling for the estimated budget demand for public works projects between fiscal 1984 and 1987 was set at minus five percent compared with that of the previous year. However, it has been set at zero growth since fiscal 1988. Ministries and agencies in charge of public works projects, as well as political circles, with the Construction Ministry as the center, have been applying stronger pressure on the government to reduce the ceiling. Moreover, the United States strongly called for an increase in budget for public works projects by pointing out that Japan's social capital is poor.

Although Japan will emerge from the deficit bond, the balance of Japan's national debt is still the enormous sum of Y164 trillion as of the end of fiscal 1991. The situation does not allow the government to slacken the reins of finance at all. Thus, it is expected that adjustments will be made between the Finance Ministry and other ministries and agencies in the future on such issues as how much the ceiling will be reduced, and how the fixed allotment of public works projects by type will be improved.

Keidanren's Saito Interviewed on Trade Friction

OW0503070390 Tokyo MAINICHI SHIMBUN in Japanese 23 Feb 90 Morning Edition p 9—FOR OFFICIAL USE ONLY

[Text] In an interview with a MAINICHI SHIMBUN reporter on 22 February, Eishiro Saito, president of the Federation of Economic Organizations [Keidanren], expressed the view that he would continue to serve as Keidanren president and would lead business circles in dealing with pending economic issues, including Japan-U.S. economic frictions.

[MAINICHI] Many agenda items at the Japan-U.S. structural impediments initiative [SII] talks seek the exclusion of vested interests in Japan. Will the landslide victory of the Liberal Democratic Party [LDP] in the latest elections obstruct structural reform in Japan?

[Saito] Japan-U.S. relations should be considered from a long-term perspective. I think the relations should be considered carefully regardless of the election outcome.

[MAINICHI] Keidanren appears to have the end of February as a deadline for compiling its view on structural issues.

[Saito] Our federation is making general preparations for resolving such issues as investments, savings, land utilization, distribution, and exclusive business practices. An operation committee meeting of the Japan-U.S. business leaders conference will be held in San Francisco in March. We will talk about the issues fully.

[MAINICHI] What do you think of economic exchanges with the Soviet Union and Eastern Europe?

[Saito] I talked with the new leaders of Eastern Europe at the world economic forum in Davos, Switzerland. We must wait until the East European situation calms down after elections.

[MAINICHI] Will a Japanese economic mission be sent to Eastern Europe some time in June?

[Saito] If the mission is to be sent on a courtesy visit, then it can be sent in June. If the mission intends to have talks on joint ventures or the like, then June would be an unreasonable time. A mission might be sent this fall.

[MAINICHI] If a mission is sent, will Toshikuni Yahiro, president of the USSR and Eastern Europe Trade Association (chairman of Mitsui and Co. and vice president of Keidanren) lead the mission with you as top adviser?

[Saito] No final decision has been made on who will lead the mission. However, I think that the mission will be led by Mr. Yahiro, as you said. It is not at all strange if Mr. Yahiro leads the mission with the head of an economic organization acting as adviser.

[MAINICHI] I would like to ask you about the Keidanren presidential election. Will you seek another term?

[Saito] I do not want to comment on this.

[MAINICHI] As the election date is nearing, more and more people are paying attention to it. What do you think?

[Saito] I am just waiting and seeing. There are many views.

[MAINICHI] There are rumors that you will be replaced by Gaishi Hiraiwa, chairman of Tokyo Electric Power Co., in line with a secret agreement among Mr. Inayama, the late former president of Keidanren, yourself, and Mr. Hiraiwa. Under the agreement, you and Mr. Hiraiwa will serve as Keidanren president for "one and a half terms" (3 years) each.

[Saito] If you say so, you better take a look at this. (Mr. Saito presents a note written by Mr. Inayama and published by ASAHI SHIMBUN under the title "Nobody Understands Me" and reads a passage from it) "Mr. Saito understands my views. Some people are saying that he should serve as Keidanren president for a short period of 2 or 3 years. No decision has been made on such a period. I want Mr. Saito to serve without paying attention to such views."

[MAINICHI] I want to ask you another question which concerns special donations by business circles to the LDP during the general elections.

[Saito] I do not know anything about it. I have neither confirmed it, nor do I intend to confirm it. You should not expect any answers from me because I do not know anything about it.

[MAINICHI] Have you received any reports on such donations from the business circles or from the LDP?

[Saito] I know nothing... I have received no reports from them.

Kaifu Urged To Tackle Structural Problems

OW0703054990 Tokyo THE JAPAN TIMES in English 6 Mar 90 p 20—FOR OFFICIAL USE ONLY

[Editorial: "No Further Excuse for Delay"]

[Text] Prime Minister Toshiki Kaifu has returned home from his hastily arranged talks with President George Bush after making a pledge which virtually amounted to a promise to achieve the impossible within a given time limit. Mr. Kaifu reportedly confirmed that he is determined to continue sincere efforts to solve bilateral problems. More specifically, he emphasized in his departure statement that tackling structural problems is one of the top priorities of his new cabinet.

Mr. Kaifu made these statements in direct and indirect responses to Mr. Bush's call for Japan's more positive replies to the U.S. demands that Japan strengthen the enforcement of the Anti-Monopoly Law, remove restrictions on part of the distribution business and make further efforts to ensure reciprocal opportunities for investment. Mr. Bush called on Mr. Kaifu to exert his political leadership for the achievement of these tasks.

The significance and implications both of Mr. Bush's requests, made at this particular moment in such a manner, and Mr. Kaifu's promises, made in reply to those requests, must be viewed against the background of related developments in recent months. Frustrated by the slow progress in the Structural Impediments Initiative (SII) talks and without any good hand available, Washington had decided to wait until after the Feb. 18 election for the House of Representatives. The Liberal-Democratic Party's victory in the polls under the command of Mr. Kaifu and his subsequent re-election are supposed to have provided him with stronger leadership, a lack of which apparently is believed to have made difficult political decision-making impossible in handling pressing diplomatic issues, particularly those with the United States.

In fact, the third round of the SII talks in Tokyo, which was held immediately after the election and failed to produce any results, as expected, was a necessary preliminary step to get the nation's top decision-maker directly involved in the task of dismantling structural barriers to further entry into Japan of foreign goods and services. This American scenario is based on the conviction Washington has

acquired from three decades of economic and trade negotiations with Japan: That is, Japan moves to solve issues only under strong outside pressures.

Basically, indeed, this pattern has been repeated in almost all trade talks between this and other nations in which the vital interests of a specific Japanese industry or industries were at stake. Past conservative party leaders have managed to settle respective issues by using the outside pressures as a stick and the promise of relief subsidies from the state coffers as a carrot. However, this tactic is unlikely to succeed this time, at least so effectively as in the past.

At Palm Springs, Mr. Kaifu bound himself with the pledge to step up efforts for solution of the structural problems, which he must have seen as a necessary step—and we share his judgment—to rally domestic support behind him. The hurdles ahead are too many and too high, however. First of all, U.S. demands in the SII talks affect the crucial interests of the conservative party's traditional power base—the nation's business world, specific industries and even local governments. In other words, the proposed elimination of structural obstacles to the liberalization of the Japanese economy would be impossible without partially influencing the vested interests of the tripartite conservative power structure of political, industrial and bureaucratic worlds.

Standing on a precarious power balance among intraparty factions, Mr. Kaifu may find it difficult to gather around him enough support from the Liberal-Democrats, who have just experienced how strong the voters' awareness of their local and parochial interests are. Some factional activists appear more concerned about grabbing a chance to snatch power than helping Mr. Kaifu clear the first major hurdle since he took office last year. Furthermore, the domestic political schedule centering on Diet deliberations on urgent budget and tax bills is extremely tight. Therefore, it is highly doubtful whether Mr. Kaifu and other government leaders will be able to spare much time for this problem to produce some tangible results by the deadline early in April.

These difficulties, however, no longer can be used as an excuse for a delay in the nation's efforts to make its economy more like other advanced industrial economies. As Mr. Kaifu has emphasized, structural reforms also improve the quality of life of the Japanese people.

Finance Ministry To Postpone SII Measures

OW0803195890 Tokyo MAINICHI DAILY NEWS in English 7 Mar 90 p 7—FOR OFFICIAL USE ONLY

[Text] The Finance Ministry plans to put off mapping out specific measures to cope with U.S. demands for bigger public spending until July instead of April, the deadline for an interim report on bilateral trade talks, according to ministry officials. The officials said Japan does not have enough time to coordinate views among government officials to include such measurs in the April report.

Under discussion in so-called Structural Impediments Initiative (SII) talks, the United States has asked Japan to boost its public spending to 10 percent of its gross national product (GNP) within three to five years.

Tokyo and Washington are slated to issue an interim report on the SII talks in April and a final one in July.

The ministry to date has rejected the U.S. call, saying it would undermine the government's hand in fine-tuning economic activity. The officials said Japan, instead, will express its positive stance on tackling the public spending issue in the interim report.

One senior official said it takes time to reach agreement among government officials on the public spending issue. "If we writer something on paper within only a month, things which could go well by July will possibly not do so," he said.

Among options being discussed are reviewing the present formula for setting ceiling on budget requests and making public spending oriented to living standards instead of the present system under which spending areas are nearly fixed, the officials said.

Kaifu Says Lifting of SII To Benefit U.S., Japan

OW0903183490 Tokyo MAINICHI DAILY NEWS in English 8 Mar 90 p 1—FOR OFFICIAL USE ONLY

[Text] Prime Minister Toshiki Kaifu said Wednesday that removal of the so-called structural impediments of the Japanese economy would be beneficial to both the Japanese public and the United States. Kaifu made the remark at a plenary session of the House of Councillors Wednesday.

Asked by a Komeito legislator about the future prospects of the Japan-U.S. Structural Impediments Initiative (SII) talks, Kaifu said that restructuring the Japanese economy to become a domestic-oriented one and promoting imports would result in improvement of the life quality of the Japanese people. He also said that such moves would contribute to the solution of the problems pointed out by the United States.

Meanwhile, Liberal-Democratic Party Secretary-General Ichiro Ozawa indicated at a seminar Wednesday that Japan must make a political decision to onclude the structural impediments talks in order to maintain a good relationship with the United States. Ozawa said that the Japanese economy is a vulnerable "house of cards" and is heavily dependent on the United States.

LDP, Government at Odds Over Structural Talks

OW1003091990 Tokyo SANKEI SHIMBUN in Japanese 7 Mar 90 Evening Edition p 3—FOR OFFICIAL USE ONLY

[Text] Regarding the question of how to handle the Japan-U.S. structural talks, the prime minister bravely said that "the government and the party will unite as one in dealing with the issue earnestly" during his summit meeting with U.S. President Bush. After returning home, he immediately asked for the Liberal Democratic Party's

[LDP] cooperation. He also gave instructions that the whole government should do its utmost in dealing with the issue during the cabinet meeting on 6 March. However, both the LDP and the government have not been observed to have taken any action, and it is now barely one month before the drafting of the interim report, which will determine the success or failure of the talks.

The ostensive reaction of the party to the Japan-U.S. summit meeting is that it will "unite as one with the government to deal with the matter," (according to Secretary General Ozawa). It has shown a positive attitude toward a great unity between the government and the ruling party.

However, whenever Prime Minister Kaifu asked for concrete cooperation, (according to Chairman Yamaguchi of the Special Research Council on Economic Adjustment) the answer has always been something like "(prior to this) the concerned ministries and agencies should sort out the problems. The party will give support whenever necessary." The prevailing view is that the government should take the lead. Washing their hands of the matter is the perfect term to describe such an attitude.

Consequently, the prime minister is not only being asked by the United States, but also by his own peers in the LDP to exercise "political leadership." We are not sure whether he realizes that he is facing a crisis, but the instructions he issues at cabinet meetings are limited to curt expressions like "I would like to request the cooperation of all ministries and agencies."

Moreover, even if the government is to take the lead, (according to Foreign Minister Nakayama) there is the idea that "the job of the cabinet member comes only after the working level has formulated (the corresponding measures)." On the other hand, the reaction of the working level, which has been semi-entrusted with the job, is that "we are not sure how far we can formulate measures even if the government does take the lead," which shows a total lack of confidence. This is because each and every item being demanded by the U.S. side, be it the expansion of public spending, or the revision or repeal of the Large Retail Stores Law and the Antimonopoly Law, "is something beyond the capacity of bureaucrats," (according to a Ministry of International Trade and Industry official).

(According to a Foreign Ministry official) "the proper thing to do is for the prime minister's office to take the lead," yet nothing is happening. How long will this "leaderless" situation continue?

Paper Criticizes Diet's Stance Toward SII

OW1103001290 Tokyo MAINICHI DAILY NEWS in English 9 Mar 90 p 2—FOR OFFICIAL USE ONLY

[Editorial: "Diet Lacking a Sense of Urgency"]

[Text] The current Diet session faces a raft of major criticial issues, including the SII (Structural Impediments Initiative), the consumption tax and political reform. The problem is that these issues can only be effectively addressed through exhaustive debate between the governing and opposition parties, because of the disparity between the House of Representatives, where the Liberal-Democratic Party holds a majority of seats, and the House of Councillors, where it is in the minority.

At the same time, national politics needs an international perspective rather than preoccupation with domestic matters if public understanding and cooperation in determining the nation's future course is to be gained. Despite certain efforts to move from confrontation to dialogue, debate so far in both houses has lacked a sense of urgency vis-a-vis Japan's situation and the direction it will take in the 1990's.

Confusion about the substance of the Japan-U.S. summit suggests that Prime Minister Toshiki Kaifu and the government both lack that same sense.

Whether U.S. President George Bush referred to specific SII issues, including strengthening the Antimonopoly Law and deregulating the distribution system is unclear because Washington and Tokyo came up with different explanations. It is certain that the U.S. raised these issues in the structural talks, and it is equally certain that they will be objects of government study for inclusion in the interim report in April. Thus, it is most important that Kaifu reveal how Japan is responding.

If Kaifu is simply evading a detailed explanation of his talks with Bush for the sake of expediency, he is complicating the problem rather than settling it. To respond to the economic friction such as market access and structural issues, a national consensus must be formed, but this is only possible after Kaifu, in seeking the understanding of the people, tells them in detail what the U.S. demands and outlines Japan's position.

Likewise, moves within the LDP to handle the situation in the context of factional politics and the stance of the opposition parties to question Kaifu persistently about what he actually promised Bush seem to lack an international perspective.

To insist that Japan should say "yes" and "no" clearly to the U.S. is one thing, but the serious situation surrounding Japan cannot be resolved by such a protectionist attitude as objecting to the import of "even one grain of rice." Already, at a U.S. Senate hearing, strong frustration was expressed about Kaifu's inaction following the summit. We fear that the gap between the U.S. Congress and the Japanese Diet might make a rational settlement difficult. Not only the government and the LDP but also the opposition parties must present clear-cut proposals on structural issues toward forming a consensus.

A national consensus is also urged concerning Japan's response to a post-cold war age of arms reduction, in addition to the consumption tax and political reform. The debate so far in the Diet suggests that signs, albeit

modest, are emerging toward that direction. But although the government and the LDP on one hand and the opposition parties on the other agree on the principle of emphasizing dialogue, they remain in sharp contrast on defense, with the former still unable to get over their cold war mentality while the latter insists on reducing military spending.

Japan, however, must play an active role in promoting prosperity and relaxing tension in the world, a role that transcends partisan differences. The Diet should take a strong initiative for peace and arms reduction.

At any rate debate in the Diet has just begun, and points of agreement and disagreement have already come out. It is hoped that all parties clearly recognize the political situation surrounding Japan, pursue discussions in a broad perspective, and form a national consensus on pending issues of major concern.

* Trade Talks With U.S. Reach 'Crucial' Juncture

902A0081A Tokyo SANKEI SHIMBUN in Japanese 26, 27 Jan 90—FOR OFFICIAL USE ONLY

[A two-part article: "U.S.-Japan Friction Negotiations: A Crucial Point at the Table"]

[26 Jan 90 p 9]

[Article by Tetsu Igarashi: "Weak 'Footing' for Counterattack; Even the First Steps Toward a Resolution Are Nowhere in Sight"]

[Text] The U.S. Government launched its attack against Japan right at the start of the new year. United States Trade Representative (USTR) Hills pressed visiting Trade Minister Matsunaga for "negotiating results" of products targeted under the Super 301 comprehensive trade law (for determining and levying sanctions against unfair trading countries and practices) that she would like to include in her annual report on trade barriers she will present to the Congress at the end of March. The mid-term review of the U.S.-Japan Structural Impediments Initiative (SII) will take place in April, which is the deadline as well for determining a second set of products for sanctions under Super 301. One wonders whether there exists any scenario within the Japanese Government—where talk of a lack of leadership is beginning to be heard—for an opposing strategy. The problems of U.S.-Japanese trade friction have literally come to a crucial point.

"What are we doing holding talks at a time like this? I'd like to push back the schedule if possible."

The request from Liberal Democratic Party headquarters to the Foreign Ministry came during the height of preparing the budget at the end of last year.

The third round of SII talks originally set to take place on 16-17 January in Tokyo was put off until late February due to the situation in Japan. LDP Secretary General Ozawa is said to have strongly made the request. His ostensible reason was that he "didn't want to make trade friction a focal point of the [18 February Diet lower house] election." But one can also hear whispers from Nagatacho that, "Ozawa is trying to manipulate SII as the card that determines the fate of the Kaifu cabinet.

With a huge annual trade deficit of $50 billion in the background, U.S.-Japan economic friction—far from easing—is increasingly showing signs of danger. The structural talks—touching on the roots of the bilateral imbalance—measure the structural problem areas in both countries' economies and is an attempt to find fundamental ways to ameliorate them.

But the gaps in viewpoint and recognition between the United States and Japan were all that was apparent in the last two rounds of talks. The reality is that, far from arranging concrete solutions, the two sides could not even set down the problems. It is said that one of the major reasons for that is the instability within the Japanese Government.

Although former Ambassador to the United States Matsunaga could say that, "SII is a problem on which Japan should make progress for its own good," it is sometimes necessary to forcefully ruffle the feathers of powers with existing interests. For that purpose, nothing is more necessary than that the government have a solid foundation.

At the time of the Nakasone cabinet in July 1985, one can say that the market opening action program was achieved despite industry's strong opposition at the start because the necessary conditions were there.

But now the situation within the government continues to be unstable, with three successive prime ministers in the last year alone. It is forecast that the government will again change following the outcome of the election. Even in the event the LDP keeps its majority and the Kaifu cabinet continues, the reversal in the upper house between the ruling and opposition parties will remain. Faced with renewed politcal fighting within the ruling LDP, there is no hope for strong leadership within the government.

In the midst of such a situation, SII will come due in March for its mid-term review. Moreover, the U.S. Government's annual report on trade barriers will be released to Congress at the end of March. This will become a sounding board for determining new items for sanctions under the Super 301 comprehensive trade law.

USTR Hills made a strong request of Trade Minister Matsunaga on his recent visit to the United States, that measures to open the market for supercomputers and other items already cited under Super 301 as well as the construction market be undertaken before she submits her report.

From the standpoint of the U.S. Government, concessions from Japan are indispensable at this time to soften the hardline position of an increasingly protectionist Congress. Even though the U.S. Government quietly accepted putting off the SII conference, there is no doubt

it did so having judged that "if the political situation there falls another notch we will be able to get real results from Japan."

However, in contrast to America's strong "expectations" following the election, the reality is that Japan will use SII as a domestic political football. Even within the LDP there can now be heard the reflection that "it was an error to put off SII."

Since even the first steps to resolving bilateral economic friction do not appear imminent, we are coming to a crucial point as we approach the mid-term review.

[27 Jan 90 p 8]

[Article by Akira Okura: "Dilemma Even Over Timing of Resolution; Situation Regarding Satellites, Wood Products Apprears Hopeless"]

[Text] Japan cannot respond to negotiations premised upon one-sided sanctions. Tokyo is continuing "negotiations" while publicly maintaining this position, at length being driven to Washington's position of "wanting to see results by March" by the Super 301 article of the comprehensive trade law (to determine and apply sanctions against unfair trading countries).

A bilateral conference of specialists was held in Washington on 17-25 January to find a compromise on supercomputers, satellites, and wood products targeted for sanctions.

Among these, talks on supercomputers showed the only dim rays of light. In order to ameliorate the practice of academic discounting for research institutions such as universities, the Japanese side explained that the government had decided to increase the money for purchasing such computers in the 1990 budget. The U.S. side expressed its understanding on this point, and the possibility exists that supercomputers will be removed as an object of sanctions.

But opposing views remain over satellites and wood products. Concerning Japan's plans for satellites to launch Communications Satellite No. 4 (CS4) in 5 years, the U.S. side emphasized that, "commercial uses connected to government research and development are a problem." In response, the Japanese side differed in saying that, "Research and development is the core of our efforts, but it is necessary to experiment to see whether or not it truly has possible uses." The situation has already deteriorated to the point where one can no longer see any room to change course.

The third round of talks are planned to take place in Tokyo at the end of February or in early March, but there has even surfaced the view that, according to a government source, "We might go all the way with developing satellites." It means that the worst case scenario of sanctions is foreseen.

However, another source with government connections emphasized that, "Aside from whatever scenario we choose, we must resolve the Super 301 problem. He indicated that, "what's important is the timing of this resolution."

If the two sides do not resolve the issue, the U.S. Government in observing the law will by all means have to levy some kind of sanction (the deadline is mid-June). However, if Japan resolves the problem by March, which was the hope that USTR Hills expressed to Trade Minister Matsunaga, the U.S. Congress' anti-Japanese hardliners will have a pretext for saying, "As we thought, Super 301 was an effective method." Then, as a result, when the deadline comes at the end of April for determining sanctions targets for the second year, the possibility arises of a number of new products including semiconductors being cited.

Accordingly, this will increase the weight assigned to the late February-early March SII conference all the more. In particular, how far the Japanese side will be able to incorporate a concrete "blueprint" for revising and reforming such major items as the Large Retail Store Law at the March mid-term review to take place in Washington will greatly influence the Super 301 problem.

By the way, what one realizes here is that the view is surfacing that there is a possibility of putting off until spring of next year the negotiations for the GATT Uruguay Round slated to be finished by the end of this year. According to a government source, one reason is that, "Along with the 1992 regional market unification problem, the EC is becoming all the more 'inward looking' with the problem of how to incorporate the countries of Eastern Europe into the market system."

But if the GATT talks really are put off, there is the possibility that the U.S. Congress will press the U.S. Government—which holds high success in the new GATT round as its trade policy priority—more and more strongly on the necessity of managed trade. If that happens, it will directly effect bilateral economic relations. For that reason, we have to quickly extinguish economic friction in both countries. The task is a difficult one.

Columnist Views Trade Friction With U.S.

OW0703055990 Tokyo ASAHI EVENING NEWS in English 5 Mar 90 p 4—FOR OFFICIAL USE ONLY

["Weekly Economic Review" column by George Murakami: "Trade Friction With U.S. Big Issue of Year"]

[Text] The financial markets last week had another rough time. Two weeks ago, the Tokyo stock market suffered its worst losses since the Black Monday crash in October 1987. On Monday of last week, the market took another bad fall and despite mild rallies in midweek has continued to lose ground. The yen, too, has taken a beating, despite heavy intervention by the Bank of Japan

[BOJ]. The BOJ spent about $2 billion on Monday, another $1 billion on Thursday but the yen sank to Y150.

The markets abroad were affected by the slumps in Japan and did not do too well, either, but their losses were small. Among the European currencies, the mark eased on the prospective cost of monetary, economic and perhaps political union of the two Germanys.

What's wrong with the Japanese financial markets? After the big win of the Liberal-Democratic Party [LDP] in the general election, many people saw the yen firming strongly and the stock market rebounding sharply. But the contrary has happened. Many blame the rise in interest rates. This has depressed the bond market and thus the stock market as well, but it should have firmed up the yen. The dollar is stronger, partly at the expense of the yen, since the most recent indicator readings say the United States is not going to slip into a recession. Again, some commentators are saying the Japanese economy is not as strong as had been thought. The industrial production index curve, for example, has been flattening out.

The most common view is that interest rates here have been abnormally low and the stock market has been too high. The new developments have thus been an overdue corrective change. These problems have been created by excess liquidity, more money than the economy can use, and BOJ Governor Yasushi Mieno seems intent on correcting this situation.

Will the BOJ raise the discount rate again? Mieno noted in his weekly press conference that the steep rise in capital spending by business was the big factor driving up the economy, that most of this investment was in new technology, and that industrial firms were in good financial shape and able to finance this investment. The plain implication is that a tighter credit would not significantly slow the economy and the BOJ would not raise the discount rate, not right away, anyway. Mieno is off on a trip to Europe and this means the BOJ will not act on a rate hike until he gets back.

The consumption tax issue now seems headed for some kind of a compromise deal. The opposition plans a bill to repeal it in the upper house, while the LDP plans to revise the tax in the lower house. The LDP will vote down the opposition bill in the lower house, the opposition will do the same with the LDP bill in the upper house. The result will be no change in the tax.

There is no political profit for either side in these courses of action. Prime Minister Toshiki Kaifu has said he and the LDP are open to discussion for more drastic changes in the revision program. And now the Socialists have indicated they are willing to talk. So something may come of this all and the issue resolved.

Kaifu will be in Palm Springs, Calif., for talks with U.S. President George Bush as this appears in print. They will be discussing policy toward the Soviet Union, Eastern Europe, Cambodia, and the Third World debt problem. Bush will no doubt urge on Kaifu a switch from Japan's passive policies to a more active role.

But the chief item on the agenda will be the economic issues between the two countries. The situation is not good. While both the U.S. trade deficit and the Japanese trade surplus have been coming down, the trade imbalance between the two countries shows little improvement. Sony's purchase of Columbia Pictures and Mitsubishi Estate's of Rockefeller Center have caused some concern in the United States and especially in Congress. And this is an off year election year in the United States and this means a degree of protectionist sentiment and perhaps Japan bashing. The U.S. auto industry is in bad shape with plant shutdowns and layoffs but Japanese automakers are doing well. Their share of the American car market, exports and production in the U.S. combined, has risen to nearly 30 percent.

The strategic impediments initiative (SII) talks between Japan and the United States on correcting their trade imbalance have made no progress. The two sides have been telling each other what the other side is doing wrong in running its economy. Japan says the United States should balance its government budget, consume less, save more, invest more, get more competitive and aggressive in foreign trade. The United States says Japan should consume more, invest less, not work too hard, spend more on public works, really open up its markets, and change its closed circle business practices. Both sets of demands involve radical changes in government policy and business and social practices which are not easy to make.

Among specific U.S. demands are repeal of the Large-Scale Retail Stores Law, which impedes modernization of the distribution system, a tougher Anti-Monopoly Law and its vigorous enforcement and increasing public works spending, now less than 7 percent of GNP, to 10 percent in the next five years.

Kaifu is unlikely to make any pledges on the retail law, since this would arouse a storm of criticism from small business. On the Anti-Monopoly Law, the Fair Trade Commission [FTC], which administers it, has been saying it may introduce amendments to stiffen it in June but the real problem is administration, a matter on which the FTC has been laggard. And the FTC insists, instead of criminal charges and stiff penalties, on administrative guidance, advising business firms what to do or not to do. On more spending for public works, the Finance Ministry, anxious to work toward a balanced budget, is cool.

About all that Kaifu can pledge is a step-up in public works spending but I doubt if he will give any specific figures. Also nearing settlement are the trade issues of wood product import specifications, supercomputers and space satellites in government financed programs.

The Bush administration is free trade [as published] but it must deal with a protectionist Democratic Congress

and it wants to make the situation with Japan as inoffensive as possible. The situation is not too good and it will take some skillful handling and restraint on the part of Japanese business. Offers are being made in Japan for sale of the Sears Tower in Chicago, the world's tallest building, and the Empire State building. The world being passed around in Tokyo is, "Don't go buying any symbols. This is not the time."

ASAHI Examines Causes of Trade Friction

OW0603134290 Tokyo ASAHI EVENING NEWS in English 5 Mar 90 p 6—FOR OFFICIAL USE ONLY

[ASAHI SHIMBUN 4 March editorial: "Japan-U.S. Trade Friction"]

[Text] Japan's black-ink balance is rapidly diminishing. On the heels of last year's development, when the current-account surplus, including the balance of trade and money spent abroad by Japanese travelers, was reduced to 30 percent of the 1988 figure, the balance fell into the red in January for the first time in six year.

January is a month when Japanese exports normally slow down due to the New Year's holidays. After seasonal adjustments are made, that month's actual export performance translates, in annual terms, into a trade surplus of between $30 billion-$40 bilion—the level that had prevailed in 1984, the year before the Plaza accord, when it was decided to implement adjustment to strengthen the yen against the dollar. Compared to the peak year of 1987, when Japan's trade surplus reached a record $87 billion, tis represents a drop of more than 50 percent, although some may insist it's still too big.

Since Japan's huge trade surplus is the breeding ground of the frictions with its trading partners, the Japanese government has been implementing surplus-reducing policies, and its recent performance deserves our approval. The question is whether these recent trends have taken firm root. To answer that, the causes that led to the recent reduction in surplus needs to be examined.

First of all, the effects of a strong yen have, in a large sense, finally begun to surface. In about two years since the Plaza accord, the yen's exchange value has doubled—from Y240 to the dollar to Y120. As a result, Japanese firms have steadily been forced to jack up the prices of their export items and exert efforts to set up production bases abroad. Inevitably, the edge was taken off Japanese exports, and foreign-made comodities, now lower priced thanks to a stronger yen, started marking headway on the domestic market.

The probably will be no backtracking in this structural transformation—a trend typically witnessed in the Japanese auto manufacturing industry.

Secondly, we must look at the business and market situations. The present Japanese business prosperity is basically supported by a strong domestic demand: since sales are booming at home, manufacturers are less enthusiastic about exports. Added to that is the fact that world economy as a whole, starting with the United States, has begun to slow down conspicuously since around last fall. And this has acted to dampen Japanese export zeal.

When the current Japanese boom comes to an end, will not Japanese markers again resort to do-or-die export drives? This remains open to conjecture inasmuch as many companies have already finished expanding their production capacity.

The third cause that led to a cut in Japan's trade surplus is the steady rise in the price of crude oil. In the past year alone, the price of crude has gone up by close to 40 percent, jacking up the cost of Japanese oil imports by that much. From all appearances, the cost of Japanese oil purchases will continue its upward spiral for the coming several years.

Those who emphasize the impact of the aforementioned structural changes claim Japan's surplus "will become zero within about two years." On the other hand, those who focus their attention on the transitory causes say, "Last year's performance was the result of an overlapping of a number of favorable conditions" and go on to forecast that the surplus "will not become smaller, by any appreciable amount, in the future."

As things presently stand, no hasty conclusion can be drawn either way. However, from the standpoint of the need to level out the world's trade imbalances, Japan must not slacken efforts to continue reducing its surplus: The nation should endeavor to sustain the present business boom, which is fed by a strong domestic demand, and a strong yen relative to the dollar. To give effect to these macroeconomic policies, Japan must not avoid tackling the structural problems and the issue of further opening up its markets.

Due to the sudden drop in surplus, some already are expressing anxieties "about the future." Our conviction is that Japan has nothing to fear, so long as its economy retains its youthful vigor. We should reall the fact that twice in the past, when its current-account balance fell into deficit because of the oil crisis, the nation succeeded in getting back into the black within about two years.

Japan's trade relation with the United States is what presently poses the main headache. Although Japan's overall surplus is decreasing, there has been no appreciable reduction in its surplus vis-a-vis the United States. Characteristic of this bilateral trade relation is the fact that the United States mainly imports higher-priced products, such as autos and machinery while Japanese imports center on foodstuffs and lumber.

Along with efforts to improve this trade structure through programs aimed at energizing its domestic industries, there is a pressing need for the United States, as a whole, to reduce demand. Such American efforts, we believe, will be effective in correcting the existing bilateral trade imbalance.

Daily Sees Need for 'Appropriate' Trade Surplus

OW1303021090 Tokyo THE DAILY YOMIURI in English 11 Mar 90 p 1—FOR OFFICIAL USE ONLY

["Economic Forum" column by Yoshio Matsui, YOMIURI SHIMBUN economic editor: "Keep Trade Surplus at Appropriate Level"]

[Text] Japan is in the difficult position of trying to reduce its trade surplus with the United States to lessen friction between the two countries, while at the same time avoiding a drastic reduction that would be extremely harmful to this nation that has virtually no raw materials. Ideally, the trade surplus should be maintained at an appropriate level.

The Finance Ministry recently announced that the nation's current account for January recorded a dificit for the first time in six years. This deficit amounted to $630 million. The current account consists of the trade account, the invisible trade account and the transfer account. In January, the combined deficits in the invisible trade and the transfer account surpassed the trade surplus volume, which had been gradually declining.

The invisible trade balance consists of profits and losses in the transport, insurance and travel industries as well as profits and losses resulting from corporate investment. The transfer account is for noncommercial exchanges of goods, services and cash.

Since January has several holidays, corporate activities usually slow down. However, it is a month that generally shows an increase in imports. In addition, various expensive items such as aircraft were imported in January. Because of these factors, some economists see the current account deficit merely as a temporary phenomenon.

However, the total surplus for the 10 months from April 1989 to this January is $4.03 million, down 37 percent from the same period a year before. The current decline appears to have started well before this "temporary" phenomenon.

A prime example of the declining trade surplus between Japan and the United States is in the automobile industry. Japanese manufacturers in the United States produced 890,000 cars and trucks in 1988. This number increased to 1.2 million in 1989 and is expected to reach 2 million by the end of this year. Accordingly, the number of cars exported from Japan will decrease. In 1987 and 1988, Japan's auto exports decreased by over 10 percent compared with the figures of the previous years. In 1989, exports during January through October decreased by 6.3 percent from the same period a year before.

The import of foreign cars into Japan has been increasing, as well as the import of Japanese cars manufactured in the United States. The import volume of such U.S.-made "Japanese" cars is not large but has been steadily increasing. In 1988, a total of 14,500 such vehicles were imported. The number for the January-October period in 1989 reached 16,500.

On the other hand, Japan suffered large deficits in the account for travelers' spending, one of the accounts in the invisible trade balance. The deficits in January reached $1.5 billion, a 9.4 percent increase from the figure in the same period a year before. Because of the prolonged appreciation of the yen, Japan's overseas travel fever seems to have already reached its zenith.

The deficits in the transfer account will continue to rise as Japan's economic cooperation programs continue to expand.

Judging from these factors, the current account surplus will continue its downward trend.

From a long-term perspective, profits from overseas investment will increase, but it will be some time before this makes the invisible trade register a surplus.

All things considered, it is still important for Japan to keep the trade surplus at an appropriate level.

Papers Publish Editorials on Bush-Kaifu Summit

MAINICHI Editorial

OW0803194690 Tokyo MAINICHI DAILY NEWS in English 7 Mar 90 p 2—FOR OFFICIAL USE ONLY

[Editorial: "After the Kaifu-Bush Summit"]

[Text] As expected, U.S. President George Bush pressed Prime Minister Toshiki Kaifu for a political decision on the trade friction during their recent summit held in California. Bush all but intervened in Japan's internal affairs when he requested also a political directive concerning the SII, the structural impediments initiative.

Unprepared for such requests, Kaifu could only repeat his pledge that he would address the issue "seriously" and "vigorously."

To summarize the results of the summit, both sides agreed on the perception that the trade friction is at a very serious stage, and we have to understand that we can no longer get away with post poning a real settlement with excuses and makeshift devices.

Given the situation where there are no definite prospects as to how successful Kaifu will exercise his leadership and make adjustments and decisions on SII issues, which are directly tied to domestic interests, relations between our two countries may very well deteriorate if he fails to deliver solutions acceptable to the U.S.

Bush emphasized that he would continue to resist protectionist pressures, and tht the economy of both countries must develop in expanded equilibrium. He called on Kaifu to exercise political determination to quickly settle bilateral economic issues, pointing out the need for

Japan to cooperate in is struggle against protectionism and the large role that Japan and the U.S. must play in their global partnership.

It is welcome that the basis of Japan-U.S. cooperation outlined by Bush coincides with what Japan has in mind.

Bush suggested a time limit on reaching a settlement when he called for Japan to help produce a meaningful SII report, despite an insufficient time frame, saying, "The sooner Japan responds the better."

In the background is the fact that the SII has come to symbolize the Bush administration's policy toward Japan, and that tough bargaining is expected with Congress before the off-year election next autumn.

At the same time, nothing can be accomplished at one stroke, and it is up to Japan to find ways to coordinate the time gap between the two sides and promote talks in a satisfactory manner.

For example, Japan may need to make simultaneous proposals outside of economic issues, such as a purposeful, drastic program to protect the global environment. This deserves serious study, in as much as Bush called for a "trialogue" to expand cooperation between Tokyo and Washington, proposals that attach much importance to the political role Japan can play.

On the other hand, domestic reforms are urgently required if we are to send to the world such messages as "A Japan-U.S. partnership working for the world" and "Japan contributing to democracy and prosperity of the world."

Both the Liberal-Democratic Party and the opposition parties should realize that they lack the courage to address the voters frankly on issues that may hurt their interests; that they lack the willingness to adopt new policies that give priority to consumers instead of producers. They are now called upon to put into practice realistic politics to participate in the world community.

Japan, in the first place, should have endeavored voluntarily to settle some of the SII issues, such as reviewing the Large-Scale Retail Store Law, dealing fairly with public works projects and eliminating the differences between foreign and domestic prices. Kaifu has promised to improve the standard of living here and shift to a consumer-oriented policy. The all-important question is how to control the resistance of Diet members, pressure groups and bureaucrats who are bent upon preserving their vested interests.

Trade Dispute 'Escalating'

OW0803035090 Tokyo THE DAILY YOMIURI in English 6 Mar 90 p 6—FOR OFFICIAL USE ONLY

[YOMIURI SHIMBUN 5 March editorial: "Kaifu-Bush Summit Meeting"]

[Text] Prime Minister Toshiki Kaifu and U.S. President George Bush have just wound up their hastily arranged summit in Palm Springs, Calif.

Today, while a new world order seems to be emerging, as epitomized by the dramatic improvement in U.S.-Soviet relations, the traditional relationship between the United States and Japan is threatened by escalating trade disputes.

There was an urgent tone to the Kaifu-Bush meeting as both leaders sought to prevent the current trade war from intensifying and further deteriorating relations between the two nations.

Trade issues aside, the two leaders also reaffirmed that Japan and the United States need to cooperate in encouraging the ongoing political shift toward democracy and freedom. They also pledged to work together to assist heavily indebted developing nations and to resolve other pressing global issues, including environmental problems.

In the future, it will become increasingly important that Japan and the United States cooperate to solve international problems, rather than merely tackling bilateral issues.

Global Stability

At the summit, Kaifu and Bush made it clear that they believe amicable Japan-U.S. relations are essential to stabilize the global situation. We applaud these leaders for their recognition of this important truth. The world is in flux politically and we must not let trade friction between Japan and the United States negatively impact upon international stability.

Bush asked Kaifu to take political action to ensure that the Structural Impediments Initiative [SII] talks are successful. It is rare for a U.S. leader to ask a Japanese prime minister to intervene politically on individual trade problems. This request will severely test Kaifu's leadership ability.

From the very beginning of the two-day summit, Bush took a surprisingly tough stance. Though trade issues were scheduled to be addressed on the second day of the meeting, the U.S. President didn't wait and put economic problems on the table the first day. In contrast, Kaifu and the rest of the delegation appeared to be upbeat throughout the meetings.

We should not blame Kaifu alone for the current state of affairs. Japan invited this crisis by not seriously addressing problems that existed long before the prime minister took office.

Japan has been averting an aggravation of Japan-U.S. relations with defense buildup efforts and increases in official development assistance. However, the seriousness of the trade issue has reached the point that no cooperation in noneconomic fields can compensate.

U.S. on Side of Consumer

It is improper to interpret U.S. demands regarding the SII talks and the "Super 301" provision of the 1988 U.S. trade act as attempted coercion. And while some U.S.

demands are inappropriate, many complaints concern problems Japanese consumers are also asking the government to solve.

It should not be forgotten that a shift from a pro-business to a pro-consumer policy is the main objective of the SII talks.

The Liberal Democratic Party along with the government should recognize the seriousness of the situation and cooperate to solve the problems. Also, the opposition parties should not be exclusively concerned with purely domestic issues, most prominent of which is the abolition of the 3 percent consumption tax.

There has long been a void in policy-making in Japan due to a rapid changing of prime ministers and crucial national elections. This has resulted in an increase in Japan-U.S. trade friction. The LDP and the opposition must work together to now fill this policy vacuum.

Japanese business and industry have in the past shown great flexibility in successfully responding to drastic change, including more than one oil crisis and the rapid appreciation of the yen. However, we do not want to see Japan lag behind other nations in efforts to build political, economic and social systems suitable to this age of internationalization.

Regular Ministerial Talks Planned With U.S.

OW0803051190 Tokyo SANKEI SHIMBUN in Japanese 6 Mar 90 Morning Edition p 3—FOR OFFICIAL USE ONLY

[Text] A top Foreign Ministry official revealed on the evening of 5 March that he has instructed the ministry's secretariat to set up "Regular Japan-U.S. Foreign Ministerial Meetings" (provisional name) to discuss issues and strategies concerning the Japan-U.S. global partnership.

This is in response to President Bush's call for a regular "trialogue" (trilateral conference) among Japan, the United States, and Europe during his recent summit meeting with Prime Minister Kaifu. On Japan's part, it wants first to establish a bilateral venue for discussions at the foreign ministerial level and eventually include Europe in the deliberations.

According to the official, the meetings will undertake exchange of views and policy coordination in the long-term and strategy regarding: 1) trade issues, and 2) East-West relations. Foreign ministers of the two countries will act as chairmen, and officials at the deputy ministerial rank will be members.

There is a strong possibility that the first meeting will be held in Paris in late May during the OECD ministerial meeting. However, this may also be delayed until the ministerial meeting of the Asia and Pacific Economic Conference (APEC) in Singapore next July. The Foreign Ministry official also indicated that for the time being, a regular venue for consultations will be established only between Japan and the United States. With regard to the holding of regular trilateral foreign ministerial meetings, he said that "we would like to exchange views first with the EC ambassadors in Tokyo. We are also considering holding deputy foreign ministerial meetings."

U.S. 'Specific Requests' for Funding Awaited

OW0803082290 Tokyo THE JAPAN TIMES in English 7 Mar 90 p 3—FOR OFFICIAL USE ONLY

[Text] The chief of the Defense Agency said Tuesday he would study how Japan can increase its share in the cost of stationing U.S. military forces here. If Washington offers specific requests on the matter, a revision of the Japan-U.S. Status of Forces Agreement would be considered, Yozo Ishikawa, director general of the agency, told reporters.

His comment follows remarks by U.S. Defense Secretary Dick Cheney, who said in a televised interview Sunday that Japan should shoulder 100 percent of yen-denominated expenses of U.S. forces stationed in the country.

Pointing out that he had so far heard nothing from Washington on the issue, Ishikawa noted that "if the U.S. Government comes up with specific demands, we cannot simply dismiss them. We will have to examine them, whether or not we will meet those demands."

Besides leasing land and facilities for free and providing other services under the agreement, the government plans to pay all fringe benefits of Japanese workers employed at the U.S. bases in fiscal 1990 under a special agreement signed in 1987.

Agency officials say, however, that a revision of the pact would be required if the government is to shoulder the entire salary of those workers.

Seiki Nishihiro, deputy director general of the agency, had earlier said Japan would "voluntarily" act on the issue.

Agency Backs Increasing Share of U.S. Upkeep

OW0503045790 Tokyo THE JAPAN TIMES in English 4 Mar 90 p 4—FOR OFFICIAL USE ONLY

[Text] The new director general of the Defense Agency, Yozo Ishikawa, believes Japan should pay more of the cost for stationing U.S. forces in this country.

"The U.S. expects Japan to increase our share of the cost burden, and I think basically we should try to meet that request," he said.

Faced with a huge budget deficit and ongoing trade friction, the U.S. Congress last year passed a resolution

calling for Japan to pay the total U.S. troop cost. Japan now pays about 40 percent of the amount.

U.S. Defense Secretary Dick Chency, who met with Japanese government leaders in late February, indirectly urged the country to increase support, and the government pledged to cooperate. The security arrangement is the key to Japan's national defense and will be a major factor in working out the next medium-term defense program in April 1991, Ishikawa said.

"Under this relationship, Washington makes a variety of demands on us, and we must not fail to recognize such demands in a correct way," he said.

Public Opinion

But he warned against becoming "too emotional" over bilateral disputes. "If we react to U.S. demands in an overly emotional way, public opinion may flare up in a wrong, nationalistic direction as in prewar years."

On Japan's defense policy, he suggested the budget should be kept roughly to 1 percent of the gross national product. "The 1 percent ceiling, though no longer a strict budgetary limit, should be preserved as a guideline," he said.

It is "impossible" to boost defense spending to as much as 3 percent of GNP, he said, adding that such a move "would be opposed by the U.S. and might stir up fear among Japan's Asian neighbors."

The director general said the military situation in Asia has not changed as much as in Europe. He stressed that recent changes in Eastern Europe and developments in superpower arms control talks would not immediately affect Japan's defense policy.

"We can"t easily take detente for granted because the Soviet Union, in addition to its massive arms buildup in Asia since the 1960s, has recently been modernizing its forces in the region," he said. He said the next medium-term defense program can be reviewed before completion if the international military situation should dramatically change.

The program, expected to assess the three-to five-year period beginning in April 1991, is scheduled to be worked out by this summer.

Municipal Background

Before becoming a diet member, Ishikawa served as mayor of Ome in the northwestern outskirts of Tokyo for 12 years. He stressed that the national government should support municipalities that serve as sites for Self-Defense Forces and U.S. bases. Ishikawa said it would be "very difficult" to proceed with a stalled plan to build a U.S. Navy night landing practice facility on Miyake Island.

There is stiff opposition to the proposed facility from island residents. The government, meanwhile, has yet to find another suitable site.

"We will maintain sincere dialogue with local residents, but I'm afraid it is quite difficult to carry out the plan," he said.

U.S. forces have agreed to temporarily shift part of the operation from Atsugi base, in a heavy residential area, to a facility to be built by fall on Iwojima Island. The U.S. maintains that Iwojima is not a permanent alternative to Atsugi because it is too distant and has demanded that a different site within 100 km of Yokosuka be found.

Kaifu Says Willing To Pay More USFJ Expenses

OW0903143890 Tokyo THE DAILY YOMIURI in English 8 Mar 90 p 1—FOR OFFICIAL USE ONLY

[Text] Prime Minister Toshiki Kaifu told the Diet Wednesday that the government will respond positively to a U.S. request to pay more of the expenses of the U.S. forces stationed in Japan in order to maintain favorable relations with the United States.

Answering questions posed by Tadao Miki of Komeito at a plenary session of the House of Councillors, Kaifu denied that the planned reduction of U.S. forces in Japan [USFJ] would mean Japan would take on some of the defense responsibilities the U.S. was abandoning.

U.S. Secretary of Defense Dick Cheney said Sunday in the United States that he hoped Japan would eventually take on the full burden of maintaining U.S. troops in Japan.

In reference to his summit talks with U.S. President George Bush on March 2 and 3, Kaifu reiterated his denial that the two leaders had discussed specific subjects raised in the ongoing Japan-U.S. Strutural Impediments Initiative talks.

Ikuko Yamanaka of the Japan Communist Party asked Kaifu about the possibility of raising the rate of the 3 percent consumption tax in the future.

The prime minister did not entirely deny the possibility, but said, "I'm not thinking of increasing the tax rate as long as my cabinet is in office."

Wednesday's upper house plenary session concluded the three-day upper and lower house sessions for interpellations about Kaifu's and three key cabinet ministers' policy speeches on March 2.

During interpellation Tuesday, Kaifu admitted that four members of his cabinet had been newly found to have accepted political donations from Recruit Co.

Diet Gets Tax Bills

The government submitted to the Diet Tuesday a package of seven budget-related bills, including ones aimed at revising the consumption tax.

The bills, based on the revision plan worked out by the ruling Liberal Democratic Party [LDP] and approved by the cabinet late last year, are expected to invite heated wrangling between the LDP and the major opposition parties in the current special Diet session.

U.S. Arms Makers Seeking To Expand Market

OW0303180290 Tokyo ASAHI EVENING NEWS in English 2 Mar 90 p 6—FOR OFFICIAL USE ONLY

["Economic Globe" column by Yoichi Funabashi, ASAHI SHIMBUN senior writer: "Grazing in New Pastures—U.S. Arms Makers' Appetite for Japan Increases"]

[Text] A top executive of Lockheed, headquartered in Burbank, Calif., recently described his company's plans to this reporter in a telephone interview.

Lockheed has decided to raise the proportion of non-governmental contracts, now standing at 10 percent, to 25 percent by 1995. A downsizing of the military division is inevitable. Severance pay and other costs associated with reduction of personnel will be a burden, but before long, the company will build momentum in its drive to become a force in new fields, such as environmental protection, waste disposal, and information technology. Moreover, if the military reductions continue, there will be an increased demand for sensing and reconnaissance equipment for trust-building programs such as Open Skies.

Both the Soviet Union and the United States have begun to reduce military expenditures since the two countries' decision to embark upon military cutbacks. As they face acute budgetary deficits, it is all the more likely they will accelerate more quickly than previously expected.

Military contractors are thus due for an accompanying spate of reorganization and consolidation. Of course, there will also be more factory closures and unemployment. DRI/McGraw-Hill estimates that of the present 3,100,000 working in the entire American aerospace industry, 620,000 will lose their jobs by 1994.

Not only will the lowering of the defense budget result in relief for the budget deficit, it will release resources for a rebuilding of the educational and industrial bases, in a process now called "the peace dividend." This is also desirable in terms of Japan-U.S. economic relations.

At the same time, however, it appears likely to make its own waves in Japan-U.S. economic relations.

First of all, in the view of Hiroo Kinoshita, president of Sumitomo Corp.: "The more deeply the American defense budget is cut, the harder they are going to try to sell their weapons to Japanese."

Next, in the realm of military research and development, the Americans are expected to request Japanese to expand their levels of cooperation to higher than ever before. Some Japanese defense manufacturers are taking an active interest in this prospect. "Japan has not been seen as very interested in basic research or other challenging problems, but I hope that we can make some kind of contribution to these fields," says Takaaki Yamada, vice president of Mitsubishi Heavy Industries.

To take the argument a little further, it is possible that calls could increase for production under license of weapons for procurement by American military services, and in its turn, pressure for export of weapons slated for marketing to the United States. Asked a major manufacturer's aerospace division section chief: "Supplying American military forces in Japan is fine; to America itself is out; military cooperation is OK; weapons, 'No': How long is this kind of reasoning going to last?"

After much ruckus and recrimination, the FSX (the next-generation support fighter plane) seems finally to have gotten off the ground. Sincere efforts by both governments for joint development by Japan and the United States, "proof that we are allies, moving in the same direction with the same spirit of challenge," according to Deputy Director of Defense Seiki Nishihiro, seem to have begun. Both parties wish to contain inevitable Japan-U.S. friction over military technology in advance as much as possible. The FSX can act as a safety valve for releasing tensions, as well as reinforcing "the effectiveness of the Japan-U.S. Security Treaty structure."

How to dismantle the military-industrial complex, a relic of the Cold War which has become a foundation of the economy; further, how to impose control over Japanese military technology, which has made some dazzling leaps recently? The matter goes beyond the mere maintenance of the Japanese-American relationship.

How should Japan participate in the strengthening of the reconnaissance network, which will become more necessary the further military reductions progress? "Japan is in the first rank of technology for testing and evaluation of sensors," says Ryozo Tsutsui, superintendent of the Technical Research and Development Institute. It is being asked what contribution Japan can make to the Open Skies program, where countries will both observe and be observed.

Especially, the question is how to build a security environment fitted to the new situations in the North Atlantic and East Asia. Deputy Director Nishihiro suggested a bold concept to this reporter. "We should request the Soviet Union to carry out a determined military cutback. Economic cooperation from us would provide the incentive. With the funding, they could build an industrial base in their far eastern regions, providing

opportunity for employment, which would absorb their demobilized military personnel."

Of course, when Nishihiro sounded out his plan informally with top American defense officials recently, they "were uneasy that it could be used by the Soviets in (forwarding) naval force reductions (which the Soviets have been advocating)." The Americans have turned down the Soviet proposals so far.

If there is really going to be a "peace dividend," the time many have come for the Americans to give up some of their prized naval forces.

* Correcting U.S. Symptoms of Economic Fear Urged

902A0075A Tokyo NIHON KEIZAI SHIMBUN in Japanese 5 Jan 90 p 27—FOR OFFICIAL USE ONLY

[Article by Katsu Yoshitomi, director of the Economic Research Institute of the Economic Planning Agency: "Show Market Openness: Political Reform To Eradicate Uncanny Impression"]

[Text] *(1) The new point of contention of the revisionists is that Japan's trade surplus stems from Japan's political, cultural and social environment which resists reforms.*

(2) Their basic fallacy lies in their extremely noneconomic analysis of the genesis and adjustment of the external imbalance during the 1980's. There is also an apparent dangerous arbitrariness in their argument for managed trade.

(3) However, it is necessary for Japan to correct these fear-of-Japan symptoms of the United States in order to establish joint Japanese-U.S. leadership. It is also important to speedily eradicate the impression of an "uncanny" Japan by clarifying the existence or nonexistence of distribution control by Japan's manufacturers which is noncompetitive, and by seeking political reform.

Closed Nature of Japan's Society Criticized

Two aspects are seen in recent criticism of Japan by the United States. First, criticism is directed against Japan's economic and industrial policy itself. Secondly, criticism is aimed at Japan's society and culture, and its political mechanism. The outstanding feature of anti-Japan criticism during the past year lies in the fusion of these two aspects. Because the criticism is not limited to economic issues, it has become easy for Japanese-U.S. relations to be debated emotionally. Simultaneously, this suggests the advent of a new phase in Japanese-U.S. relations.

The basic criticism against Japan's economy is focused on the closed nature of its market. However, the main target of criticism is no longer such public barriers as high tariffs or the allocation of import quotas in Japan. It has shifted to a people barrier, so to speak.

The basic composition of the people barrier is outlined as follows. The Japanese manufacturers have formed a noncompetitive market that enables them to sell their goods to the consumers at home at oligopolistic prices. Externally, using the huge profits thus acquired, they engage in dumping practices to jack up their share of the market, and resort to "strategic" export practices.

Moreover, implementation of the government's antimonopoly law is lukewarm. The domestic and foreign price differential is created principally by this factor. This is how Japan's economic system, which gives preference to the producers and ignores the consumers, was allegedly born.

This leads us to the second aspect of criticism against Japan. Japanese politics, which permits the above economic system, merely represents a mythical democracy. Political decisions are made only by the "zoku" group [dietmembers who exercise in a particular field policy-making expertise] and the bureaucrats to whom they are closely aligned, and they serve only the interests of specific industries or sectors. They uphold no political principles. Japan's consumers make no attempt to create reforms. The Japanese society and culture, which are based on such factors, permit the continuation of the above economic system.

The problem faced by the world is that this type of Japanese politics and culture tolerate cartel activities by the companies in Japan, and make it extremely difficult for foreign participation, whether it concerns exports or direct investment. In addition, the strategic export activities force the advanced industries of the United States to decline, one after another. At the present rate, there is probably no alternative except to contain Japan, or to evolve some kind of managed trade. This is a broad outline of the thinking among the revisionists.

We must not forget that the Japan-U.S. Structural Impediment Initiative [SII], which was started in September 1989, was based on just this background. What is important, however, is that, although the revisionists advocate managed trade, U.S. Government authorities do not.

It is the revisionist view that Japan's economic system impedes foreign imports coming into this noncompetitive domestic market, on the one hand, and promotes unilateral expansion of exports through strategic actitivities, on the other. They contend that Japan's hugh trade surplus is the outcome. However, there is a basic fallacy in this view.

The amount of U.S. exports from 1981 to 1986 was virtually at a standstill, but the amount of its imports doubled. The product trade balance, which was roughly at zero in 1981, dropped sharply to a deficit of $50 billion five years later. Moreover, the sharp import rise was not limited to any specific region. The same proportionate increase took place, not only vis-a-vis Japan, but also vis-a-vis Europe and the Asian NIES [newly industrializing economic societies].

This simple and basic fact cannot be explained simply based on a sudden and continuing closure of the Japanese market in the 1980's, or an abrupt transformation in Japan's economic system. Consequently, the arise of

an imbalance during the 1980's has been explained by such macroeconomic factors as an expansion of the U.S. financial deficit, an aberrant rise in the dollar value and the curtailment of financial deficits in Japan and West Germany. That is why a rollback of the macro-factors has been implemented after the Plaza Agreement of September 1985.

Meanwhile, the revisionists contend as follows. Despite a major adjustment of the currency exchange rates and efforts toward international accord on macroeconomic policies, there has been very little improvement in the external balance—particularly in the Japan-U.S. bilateral trade imbalance. As long as the Japanese market remains closed, and as long as Japan's economic system remains unchanged, it is futile to shift the macro-factors.

A pessimistic evaluation of macro-policies has been gaining force among the U.S. side involved in the SII, ever since the Plaza Agreement—particularly in the U.S. Commerce Department, the USTR and the U.S. State Department.

To be sure, the growth of the trade imbalance during the first half of the 1980's may be attributed to macro-factors. However, their pessimism is due to the fact that, in attempting to "adjust" the expanded imbalance, they see Japan's structural barriers as impeding their efforts.

MIT Professor Dornbush's view is that Japan's product import ratio to its GNP, which has remained at about two percent during the past 20 years, proves the closed nature of Japan's market.

Danger of Arbitrarism in Managed Trade

Free negotiations under GATT [General Agreement on Tariffs and Trade] were unsuccessful in an attempt to open Japan's market. Therefore, the United States decided to adopt a policy of stressing results, and it contends that, in case Japan's product imports (on a quantitative base) do not grow by 15 percent annually, punitive custom duties should be levied against imports from Japan to the United States. It argues that, assuming that there is an annual growth of five percent in the real GNP and consumption, a three-fold increase in product imports will undoubtedly raise the product import ratio to the GNP. (See this column dated 28-29 November 1989)

Three characteristics are found in such contentions concerning managed trade. First, the closed nature of the Japan market is the major premise. Secondly, the form of coercing import expansion by Japan is adopted. It is a directly opposite position from voluntary export control, which has been enforced in the past to keep down exports from Japan. Thirdly, in actually implementing managed trade, it can easily fall into arbitrarism as the norm for implementation.

Let us examine arbitrarism. Using the year 1985 as the standard, Japan's product imports rose 110 percent by July-September 1989, while the real GNP rose more than 20 percent. Both the growth in product imports—calculated at an annual rate—and the increase rate, which far outstrips the GNP growth rate, far exceed Professor Dornbush's standard.

However, the ratio of product imports to the GNP hardly increased at all. The reason is simple. The product import amount in dollar terms reflects quantitative growth, and it rose by more than 110 percent. However, Japan's GNP in dollar terms also rose by more than 100 percent—due to a lowering of the dollar (higher yen) by nearly 80 percent, in addition to a growth of the nominal GNP in yen terms.

A look at Japan's product imports on a quantitative basis shows that Japan's market is open, while the ratio to the GNP indicates that it is closed.

Actually, this problem directly indicates how easy it is for managed trade to be conducted arbitrarily, and how easy it is to be used for political purposes. At the same time, it raises the more fundamental issue of how market closedness can be measured. Professor E. (Lima's) study concerning this fundamental issue is reported to be the most reliable study of its kind. It concludes that, compared with the other advanced nations, Japan's market cannot be deemed to be particularly closed in nature.

A Strong Awareness of Japan's Position

Whenever the above basic fallacy of the revisionist view is pointed out, there is a strong tendency in Japan to draw an extremely simplistic conclusion to the effect that the United States is in the wrong. However, such a conclusion stems from forgetting Japan's present historical position.

The outstanding trait of Japanese-U.S. relations during the 1980's was that the United States—which continues to be number one in terms of GNP, and still a supreme power—has come to depend on Japan's financial power and high technology, albeit partially. The basic component elements of its supremacy are: the position of the dollar as a key monetary standard with global currency, and its global security capability (military power).

Today, however, because of America's foreign deficit, the dollar position is supported, in part, by Japan's financial wealth. Also, production of advanced weapons that sustain its security capability depends increasingly on Japan's private-sector technology.

Actually, this is none other than a growing mutual dependence concerning finance and technology. However, in the eyes of the United States as a supreme power, its monopoly based on its supremacy—sustained in the past by its financial power and technology—is beginning to "depend" for the first time on a foreign nation—particularly on Japan's financial power and technology, and this poses a danger. Its fear-of-Japan symptoms stem from such a viewpoint.

At this very moment, because of the ebbing threat of communism, the flow of history is pushing the naked

economic competition among the capitalist nations to the forefront. Although their capitalism is similar, their economic systems differ. What can be done to change this competition among the varying systems without falling into serious political frictions? This is actually the basic task facing us during the 1990's.

The following two points are important in order to answer this question. First, the existence or nonexistence of noncompetitive distribution control by Japan's manufacturers must be speedily clarified. This is because the United States seeks the reasons for the difficulty of its high-tech products to penetrate Japan's market, and it believes that, by opening Japan's huge demand market, it can fully manifest the comparative superiority of American high-tech industries. The U.S. Government strongly desires not managed trade, but a bi-directional and expanding balance of high-tech trade.

The second point is Japan's political reform. The reason is that, at this important juncture in history, Japan must produce intellectual statesmen with global leadership qualities commensurate with its economic power. This requires an appropriate election, administrative and political mechanism. A society with mere economic power, but little political intellect, is uncanny. Such uncanniness promotes fear-of-Japan symptoms, and harms Japanese-U.S. relations.

U.S. Reexamination of Security Ties Urged

OW1303053990 Tokyo THE JAPAN TIMES in English 12 Mar 90 p 20—FOR OFFICIAL USE ONLY

[Editorial: "Now That the Dust Is Setting"]

[Text] It has been a tumultuous 12 months of unhappy change for the Japan-U.S. relationship. In just the past month, this nation has experienced a fervid national election in which the future of Japan's ties with America figured prominently as an issue. The turbulence did not end there.

U.S. Secretary of Defense Dick Cheney came calling to these shores as well. His was an important mission. The very same week as Mr. Cheney's stopover in Tokyo, the fourth round of the Structural Impediments Initiative (SII) talks collapsed in apparent disarray. This was then followed by a hasty summit between President George Bush and Prime Minister Toshiki Kaifu in Palm Springs, Calif.

Now that the dust is settling, it is time to take stock. Nowhere is a calmer perspective needed than on the crucial issue of America's defense posture in the Western Pacific. In our view, the time is right to reexamine some of the key premises of recent discussions on both sides of the Pacific on the future of the Japan-U.S. security treaty, and even more important, the policy justifications for the continuing presence of some 120,000 U.S. troops in East and Southeast Asia.

We are at an unambiguous turning point. The cold war is ebbing with extraordinary speed in Europe. Barring some unforeseen disaster, both the Warsaw Pact and the North Atlantic Treaty Organization (NATO) will have to evolve new roles. The old assumptions that gave this complex system of alliances its reason for existing are dead or dying.

These developments have inevitably altered the climate, if not the substantive reality, of international security arrangements in the Western Pacific. The new financial constraints being felt by both superpowers will accelerate the impact of these changes in our region. All this is clear.

But a wide sampling of American opinion on the modest cuts (10-12 percent) that the Bush administration is proposing to make in U.S. forces in the Western Pacific suggests a welcome understanding of just how important it remains for Washington to retain its indispensable military presence in this part of the world.

We have long argued that the postwar Pax Americana has been an undisguised blessing for all of East Asia. There have been failings. Vietnam was one. But on balance, the United States has exerted a significant stabilizing influence that has been, all things considered, remarkably unintrusive. American domination of the Pacific has been just that: domination. But whatever the price, and there has been one, it has been worth paying. This is our conviction.

But it is also our view that the gains from America's farflung military presence, from South Korea to Australia, have not been one-sided. Talk of "a free ride" is quite simply naive. America is, as Mr. Cheney rightly insisted during his Tokyo stay, a Pacific power, too. The U.S. has therefore also benefited from the long postwar era of Pacific stability.

But what must be emphasized now is how cheap—we are speaking of money—the whole business has been. It requires only $6 billion to maintain America's present force commitment to Japan, of which the government here picks up about $2.5 billion. In the case of South Korea, the price tag for the Pentagon is estimated to be $2.6 billion, of which Seoul currently pays some $300 million.

There is an obvious limit beyond which Tokyo and Seoul cannot expand their direct expenditure on locally stationed U.S. forces without the term "mercenary" becoming uncomfortably accurate. But on every other front, host governments should do their utmost to ease the American burden. It makes no sense to do otherwise.

But we remain unconvinced about the linkage between trade policies and defense spending. In unprecedented fashion, Mr. Cheney raised the issue of the SII talks in his major address here last month. To our ears, Mr. Cheney sounded distinctly uncomfortable in linking defense and economic structural reform.

Trade imbalances come and go. Patterns of commercial activity alter overnight. But East Asia's security requirements have remained unchanged for half a century now. Mercurial trade statistics provide no sound foundation for keeping the peace in the Pacific. On this issue, the Bush administration and Congress need to think again. The stakes are simply too high to do otherwise.

Review of Book on Japanese Lobbying in U.S.

OW1103202690 Tokyo THE JAPAN TIMES in English 10 Mar 90 p 20—FOR OFFICIAL USE ONLY

["Opinion" page article by Ayako Doi, special to THE JAPAN TIMES: "Author's Anti-Japan Sway"]

[Text] Washington—Pat Choate may well be the first best-selling author of an unpublished book. Although it won't be in the bookstores before September, he has been identified for at least two years now in a multitude of articles, commentaries and broadcasts as the author of a forthcoming volume that could blow the lid off U.S.-Japan relations.

The book, "Agents of Influence," is about foreign political influence on American econmic policymaking—or more precisely, about Japanese lobbying in the United States.

"I was going to write about world trade policy of the 1990s," says the 48-year-old economist with thinning hair and a shaggy, graying beard. "But while I was researching that, I was struck by how astute as politicians Japanese businessmen were." So he decided to switch focus.

Choate's subject is a familiar one in Washington these days. Two years ago a heavyweight lobbying campaign by Toshiba and its American affiliates succeeded in significantly watering down a bill that would have severely punished the company for a subsidiary's Coordinating Committee on Exports of Technology to Communist Countries (COCOM) violation. Since than American commentators have increasingly made an issue of Japan's ability to influence the American political process.

Choate is one of the main polemicists stirring interest in the issue. Soon after the Toshiba sanction bill passed in 1988, he wrote an article titled "Money talks: How foreign firms buy U.S. clout" for the Sunday opinion pages of the Washington Post. It was essentially an outline of his upcoming book, which the footnote said he was writing. "The intention of that article was to encourage anyone who had stories (about foreign lobbying) to come and see me." And it had the desired effect, he says.

Since then, he has testified in Congress about the issue, made numerous speeches, written a number of articles and discussed it on television. Attacking the Japan lobby has become his passion, and he, in turn, has become an authority on the issue.

Whenever articles are written or broadcasts made about the subject, he is almost invariably quoted. Chaote contends that the Japanese government, corporations and foundations spent $150 million in 1988 and $250 million in 1989 on lobbying and corporate-giving in the U.S. These figurs have come to be widely used without questioning their accuracy, largely because no other such figures exist.

Although Choate admits, "No one questions the right of the Japanese to hire advocates here," he seems to think it's somehow unfair for them to operate by the rules of American politics. Listen to Choate say, "You have Japanese trade associations buying and hiring people who do grassroots lobbying activities.... It's been very clear that those efforts are the atempt to influence Washington by going over their heads to constituents, and to local media and press," and one must wonder if that wasn't how America's democratic political system works.

Choate is particularly outraged about former U.S. government officials who take high fees to lobby for Japanese firms. "It's fundamentally wrong for our high-level officials to work in a position and very quickly leave it and use their information, networks and contacts to become very rich lobbyists, whether they work for American corporations or foreign governments," he says. For high government officials, he is recommending a lifetime ban on lobbing for foreign clients; the lesser ranks he would keep out of the business for only seven to 10 years.

As a matter of fact, Choate himself has been in the government, serving as director for Applalachia and the southern U.S. at the Economic Development Administration among other positions. He is now a TRW lobbyist, with the title of vice president of office of policy analysis. With full salary paid by TRW, he has written a few books, including the upcoming one, and is free to do pretty much what he pleases—which includes a lot of time roasting Japan and its American friends in public.

He spends a great deal of his time on Capitol Hill, advising such powerful lawmakers as Sen. Lloyd Bentsen and Rep. Richard Gephardt on legislative strategy to deal with Japan. He testified at least eight times last year for various committees on subjects that included industrial competitiveness, high-definition television, economic policy, the Strategic Impediments Initiative and trade relations with Japan.

"A company that has 50,000 employees and derives $5 billion in revenues inside the U.S. has a great interest in assuring that its government has the right kind of policies to enhance competitiveness," he says, sitting in his office in Arlington, Va., just up the road from Pentagon, where his company does much of its business.

Whether it's good for TRW or not, Choate's effort seems to be bearing fruit in Congress. Rep. Pat Saiki has introduced a bill to ban foreign contributions to American election campaigns, and Rep. Gephardt recently asked for an investigation on Gary Saxonhouse, University of Michigan professor who sits on the Council of Economic Advisers, because he serves on a Ministry of International Trade and Industry research panel without

pay. Moreover, Sen. Bentsen may hold hearings on "revolving door" practices later this year.

The debate Choate has sparked turned white hot in January, when the New Republic magazine ran a cover story, headlined "Yen for power—Tokyo's Americans that say yes." In it, writer John Judis singled out Japanese government and corporations for "winning American 'hearts and minds' "by hiring well-connected Washington lobbyists and by donating money to universities and think tanks.

But it became known that the article was first rejected by the U.S. News and World Report because "it didn't have any substance," according to a senior editor of the weekly. Judis has been widely criticized for making a McCarthylike case of guilt by association against Americans who receive money from Japanese sources.

"Thirty years ago, we looked for communists under the bed," says Charles Schultze of the Brookings Institute in a radio debate with Judis. "Now we're looking for Japanese under the bed."

George Packard, dean of Johns Hopkins University's School of Advanced International Studies, who came under heavy attack by Judis, predicts that there will be more criticism about Japan's "influence buying" in the coming months. But "the American media will balance itself out at the end as it always does," he says, adding that the pendulum is already swinging the other way, in his view.

But the fact of the matter is that Packard doesn't get invited to testify in Congress, while Pat Choate does. His book is likely to adorn lawmakers' shelves along with Clyde Prestowitz's "Trading Places" and Karel van Wolferen's "The Enigma of Japanese Power." And with Congress taking ever greater initiatives in economic policy making, that may spell more trouble for Japan.

* Change to 'Timid' Diplomacy Toward U.S. Advocated

902B0056A Tokyo SANKEI SHIMBUN in Japanese 9 Jan 90 p 7—FOR OFFICIAL USE ONLY

[Commentary in "Sound Argument" column by Kenichi Takemura]

[Text] **Considering the Road Japan Will Take in the 1990's**

A Worsening of U.S.-Japanese Relations Is Inevitable

As the curtain rises on the 1990's, I would like to make a bold prediction on what will happen to the U.S.-Japanese relationship.

In short, it will not improve for the next three years until the end of 1992. This year, 1990, is the year for mid-term elections in America. Even in an ordinary year, America's congressmen are more enthusiastic than the U.S. Government in their Japan bashing. This is particularly the case in the House of Representatives.

Next year on 7 December the 50th anniversary of the day Japan attacked Pearl Harbor will be commemorated. The 50th anniversary of "Remember Pearl Harbor" is coming. I am worried that toward the end of that year all over America people may be thinking of Japan's attack.

Moreover, a presidential election will take place the following year in 1992. The activities of presidential candidates will begin to appear from the second half of 1991. Mr. Bush, as the incumbent President does not much agree with the Congress' in its Japan bashing efforts. But as a presidential candidate—certainly he is aiming to win reelection—facing his opponents he may be compelled to act harshly toward Japan.

Speaking of Pearl Harbor, until the Japanese Navy attacked on 7 December 1941—the 8th in Japan—almost no Americans were interested in Japan.

From that day on, Pearl Harbor became the most unforgettable place and day for Americans. For Japanese it is probably the day the atomic bomb was dropped on Hiroshima 15 August 1945, the day Japan lost the war, but for the American people "Pearl Harbor Day" is far more a memorial day than the days they defeated Japan and Germany.

As we approach that day at the beginning of the 1990's, I am afraid a media campaign depicting a "detestable Japan" is going to heat up.

The Current Enemy: From the Soviet Union to Japan

I often say so in speeches, but 1985—40 years from the end of the war—was the beginning of a new 40 years of global changes. In March of that year Gorbachev emerged as general secretary of the Communist Party of the Soviet Union (CPSU). That year America, although the world's greatest creditor until then, began to turn into the world's largest debtor. Then from September of that year a strengthening yen rose from 240 to 120 to the dollar. In one or two years, Japan suddenly became twice as wealthy.

The Soviet Union, America's foremost enemy for the 40 years of the postwar period, began to appear less threatening after Gorbachev appeared. This is similar to the America, cooperative toward Japan during the Russo-Japanese War, which fell prey to a fear of Japan with the defeat of Russia and began bashing Japanese immigrants. Around 1985, when the Soviet Union ceased being a formidable adversary, America started to view Japan as its next rival. It is a case of history repeating itself.

There is even a U.S. publication which has written that "Americans are uncomfortable without a rival before their eyes." There are also people who have said it reminds them of a "greyhound race." Competing greyhounds run all out after an electronic toy rabbit in front of them. For 40 years after the war, that rabbit was the Soviet Union. Now it has become Japan.

It is not only that the Soviet Union has ceased to be and Japan has become the main adversary for the time being.

Japan has taken the place of the United States, long considered the world's wealthiest country. I hope that we do not forget that Japan is engendering a double anger in the hearts of Americans.

At this time data and pronouncements that seem to worsen U.S.-Japanese relations are pitches that the media seem to turn into home runs. Last year's uproar over *The Japan That Can Say "No"* was truly such a pitch. Certainly there are many points on which America also should reflect, as Dietman Ishihara says. There are many cases where America, not correcting itself, has simply bashed Japan. I understand as well the feeling of wanting to say "no" when it is necessary.

However, for these next few years—especially until the end of 1992—it is advisable to say and do things to soften up our partner, saying "yes" rather than "no." American leaders often, as though confessing, say that America at present is hypersensitive about Japan. Some publications have even written of America as being "gripped by a genuine sense of fear."

After 1905, having won the Russo-Japanese War with the cooperation of England and America, Japan's fortunes declined and defeat in war followed 40 years later. Japan's present prosperity is the result of Japan having relied upon America, and having learned, and profited greatly from the U.S. market.

Pressure for Reform of the System

As former Prime Minister Shigeru Yoshida said, "Japan did well as long as she got along well with the Anglo-Saxons." Recently I published a book, *The Laws of History. Why Do I Say "Yes"?* In it I say that I have detected in the laws of history the rules for Japanese prosperity.

Perhaps it is timidity. Japanese do not like timidity in international relations. At the end of the shogunate period Great Councilor Ii, who advocated opening the country, was killed by loyalists seeking to "expel the barbarians." Minister Plenipotentiary Jutaro Komura was unable even to exact reparation payments from Russia at the Portsmouth peace talks. His house was burned down because the Japanese people thought him timid.

However, for the time being, I think "timidity" is necessary for Japan in the 21st century. In the meantime I hope that we change Japan's system and leave America with little room for complaint.

The beginning of the 1990's will be a dangerous passage to Japan's future.

Soviet Union

Government Views Delay of Shevardnadze Visit

OW0403082990 Tokyo NIHON KEIZAI SHIMBUN in Japanese 2 Mar 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] Regarding the postponement of Soviet Foreign Minister Shevardnadze's visit to Japan, the Japanese Government holds a view that "his visit to Japan has been postponed due to the domestic situation in the Soviet Union and this will not basically affect the policy of keeping dialogue between Japan and the Soviet Union," (according to a Foreign Ministry source). However, since the government largely planned to use Foreign Minister Shevardnadze's visit to Japan as a chance to improve Japan-Soviet relations in the face of the new world situation following changes in East-West relations, the postponement of his visit to Japan is likely to have a delicate effect on Soviet policy and the government's scenario to break the deadlock in Japan-Soviet relations. A working group meeting for a peace treaty and working-level talks to be attended by vice ministers of the two countries are scheduled to be held in Japan when the Soviet foreign minister visits Japan. In an effort to prevent the mood for dialogue from cooling down, the government plans to work for holding the working group meeting and working-level talks separately from the Japan-Soviet foreign ministerial talks.

The government is most concerned about the indefinite delay of Shevardnadze's visit to Japan with no new prospects for his visit. The same Foreign Ministry source said that "even if the postponement is inevitable, we want to set a new time frame for his visit to Japan at the earliest day."

In a scenario written by the government, the Japanese foreign minister will visit the Soviet Union from late this year to early next year after the Soviet foreign minister visits Japan in March to work for the materialization of the visit by Supreme Soviet Chairman Gorbachev to Japan in first part of next year. Therefore, preparation work for the chairman's visit to Japan will be inevitably stalled if there is a further delay in the visit to Japan by Soviet Foreign Minister Shevardnadze, who is expected to play a role in laying the groundwork for Chairman Gorbachev's visit to Japan.

Soviet Politburo member Yakovlev visited Japan last November and in response to his visit to Japan, former Secretary General Abe of the Liberal Democratic Party visited the Soviet Union. Thus, dialogue between Japan and the Soviet Union has progressed smoothly in the wake of changes in East-West relations. Therefore, there are worries that the postponement of the Soviet foreign minister's visit to Japan may dampen the mood to improve relations between the two countries.

Soviet Officials on Joint Ventures With Japan

OW0303105390 Tokyo YOMIURI SHIMBUN in Japanese 25 Feb 90 Morning Edition p 27—FOR OFFICIAL USE ONLY

[Report on a "recent" "exclusive" YOMIURI SHIMBUN interview with Aleksandr Troshin, vice chairman of the Soviet State Planning Committee, and Aleksandr Khomyakov, chairman of the Russian Soviet Federated Socialist Republic State Planning Committee, currently on a Japan visit; date, place not given]

[Text] Vice Chairman Aleksandr Troshin of the Soviet State Planning Committee and Chairman Aleksandr Khomyakov of the RSFSR [Russian Soviet Federated Socialist Republic] State Planning Committee, who came to Japan to obtain Japanese cooperation in the economic reforms being implemented by the USSR and development of the Far East, recently gave an exclusive interview to YOMIURI SHIMBUN. During the interview, the two men showed high expectations of Japan-Soviet joint ventures to manufacture home appliances as a means to increase the production of consumer products, which is currently the top priority issue in the USSR. Specifically, they disclosed that a proposal has been presented to Hitachi, Ltd. for a joint venture to produce VCR's and Hitachi has promised to consider the plan. They indicated that the USSR is also seeking the cooperation of Japanese companies in the shift of military-related industries to civilian production. On the development of the Far East, they revealed that the Nakhodka port area will be designated as a special economic zone [SEZ] as early as this summer, and that Japanese participation will be accepted in the construction project of a major international airport adjacent to the area.

The State Planning Committee is an administrative organ which is not only responsible for drafting the comprehensive economic policy of the USSR, but also holds extensive powers in the implementation phase. Under the Soviet Union's committee, there is a planning committee in each of the republics. The State Planning Committee plays a central role in economic reform and development of the Far East.

On joint ventures with Japan under the present economic reform, the two officials said that so far joint ventures have been limited to small-scale projects in the areas of fishery products and lumber processing. They would like to extend these to large-scale joint ventures doing "joint production of consumer goods, particularly home appliances." Regarding the VCR production project presented to Hitachi, they expressed high hopes, saying "we anticipate a favorable answer from the Hitachi side."

Furthermore, with regard to additional joint ventures to manufacture consumer products other than VCR's, the two men cited the production of refrigerators, washing machines, vacuum cleaners and other items indispensable for improving the people's standard of living.

In view of disarmament under East-West detente, the Soviet Union is undertaking a shift of military-related industries to civilian production. The two officials said that "there are numerous plans for military industrial plants to shift to civilian production. There is much room for cooperation with Japanese companies."

In connection with the development of the Far East, the two disclosed preferential treatment, such as a reduced tax rate on profits set at 10 percent or one-third of the normal rate, for joint venture companies to be put up in the SEZ to be created in the Nakhodka port area, including those whose offices are located in the SEZ but whose plants are somewhere else in the Far East.

As for the international airport to be built at a site adjacent to the SEZ, the two admitted that concrete negotiations have started with a leading U.S. construction firm, but also said that "if there are proposals from Japanese companies, (depending on the content) there is still room for Japanese participation in the construction project." They stressed the fact that there is still the possibility for Japanese companies' participation.

USSR Seeks Economic Management Training

OW0403214390 Tokyo NIHON KEIZAI SHIMBUN in Japanese 27 Feb 90 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] The Soviet Union has asked the Economic Planning Agency for cooperation in helping the USSR learn about Japan's economic management in the early post-war years. The Soviet State Planning Committee (Gosplan) has recently asked the agency for an explanation of how the Economic Stabilization Headquarters formulated economic policies and how it carried out activities in the early post-war years. In response, the agency plans to send experts to Moscow in early March. The Soviet committee has also sounded out whether Soviet economists can participate in a training program for foreign economic researchers which the Economic Planning Agency plans to conduct beginning next year.

With regard to the request for an explanation about the formulation of economic policies in the early post-war years, the Soviet State Planning Committee deputy chairman, Troshin, made the request when he recently visited Japan. The Soviet State Planning Committee has thus far formulated centrally planned economy policies. However, the committee has found itself unable to deal with the market mechanism in a conventional way—a system which the Soviet Union has increasingly introduced. Therefore, the committee has shown interest in how the Economic Stabilization Headquarters—the predecessor of the present Economic Planning Agency—shifted Japan's economy from a wartime economy to the market mechanism.

The agency plans to send experts to Moscow for two days from 1-2 March to brief members of the State Planning Committee on how the headquarters was organized, how it managed the economy, and how it formulated economy policies in the early post-war years.

Regarding Soviet participation in the training program, the committee has sounded out the agency through officials of the Soviet Embassy in Tokyo. The agency plans to set up a Research Exchange Department next year and to invite several foreign economic researchers every year. The agency has exchanged economic researchers with advanced European nations and the United States, but now the agency aims to exchange economic researchers with developing countries. It is

expected that foreign researchers participating in the training program will research economic policies in the early post-war years in Japan and use this information to formulate their nations' economic development plans. The researchers will also research statistics on national income.

The Soviet Union is faced with the tasks of exploring a new economic policy and improving statistics. In the past, the Soviet Union used the gross national income, excluding the value added of service industry, for basic economic statistics. The Soviet statistics required improvement. It has been indicated that there are many defects in industrial statistics in the Soviet Union and this has hampered economic development.

The agency feels that if Soviet economists participate in the training program, it will be helpful to the Soviet Union. Whether Soviet economists will participate in the training program remains to be determined, because the northern territories issue restricts intergovernmental exchanges between Japan and the Soviet Union.

Tokyo Broadcasting Reporter To Fly on Soyuz

OW1103151290 Tokyo ASAHI EVENING NEWS in English 10 Mar 90 p 3—FOR OFFICIAL USE ONLY

[Text] A reporter of the Tokyo Broadcasting System (TBS) will be the first Japanese to make a space flight. The launch of the Soviet spaceship Soyuz, whose crew will be joined by the TBS reporter, is expected to take place sometime between December this year and March next year, earlier than originally scheduled, the Japanese network disclosed on Friday.

TBS said the date of the Soyuz launch will be announced on March 15. A contract the network signed with Soviet space authorities a year ago calls for a launch by the end of 1991.

The TBS reporter is now certain to be the first Japanese to make a space flight because the launch of a U.S. space shuttle, which will carry a Japanese astronaut chosen by the National Space Development Agency, is scheduled for June next year.

TBS selected two candidates for a flight aboard the space ship Soyuz from among its employees. The two chosen candidates, Toyohiro Akiyama and Ryoko Kikuchi, have finished their training in Russian in three months, half of the time which was originally thought to be needed. They will take the Soviet state examinations for cosmonauts next month. After six months of training, they will be ready for the Soyuz flight. But only one of the two reporters will be able to make the flight.

TBS hoped to make its reporter the world's first journalist to report from space. With objections raised to the network's plan in the Soviet Union, the honor will go to a Soviet reporter, who will make a space flight at the end of July this year.

In addition to the TBS reporter, the crew of the Soyuz is scheduled to include four non-Soviet nationals.

Europe

Caslavska Asks Japan To Help Reform in CSSR

OW0403122990 Tokyo ASAHI EVENING NEWS in English 3 Mar 90 p 3—FOR OFFICIAL USE ONLY

[Text] Former Czech Olympic champion and now presidential adviser Vera Caslavska called for Japanese economic expertise Friday to help freedom and democracy develop fully in her East European homeland.

Caslavska, aide to Czech President Vaclav Havel, said Czechoslovakia also wants to open new avenues in political and cultural cooperation with Japan but needs, most of all, information on economic development, as well as on how to promote the development of freedom there.

Speaking before a Japan National Press Club audience, Caslavska contrasted through her own Olympic experiences the "dark and sad" period of Czechoslavakian history under communism with the hope and excitement that pervades Prague today. She said she was "especially happy" to be making her first trip to Japan "freely."

The former Olympic champion, who won the women's gymnastics individual all-around title in Tokyo (1964) and Mexico City (1968), has visited Japan 10 times in the past as an athlete and coach but always from a Czechoslvakia under Communist control.

Caslavska recalled how as she was preparing to defend her Olympic crown in 1968 she felt the joy of the short-lived coming of freedom to Czechoslovakia, known as the "Prague Spring."

MITI To Insure Suzuki Venture in Hungary

OW0803044290 Tokyo THE DAILY YOMIURI in English 6 Mar 90 p 8—FOR OFFICIAL USE ONLY

[Text] The International Trade and Industry Ministry [MITI] will issue trade insurance worth about Y10 billion in loans to the car production joint venture between Suzuki Motor Co. and Hungary, the ministry said Monday.

The issue of the trade loans, the largest of its kind to be made to an East European country, follows an official pledge by Prime Minister Toshiki Kaifu that Japan would extend economic cooperation, which he made at the time of his official visit to East Europe in January. Insurance underwriting will begin once Suzuki and its recently established Hungarian counterpart officially sign the joint-venture contract this summer, ministry officials said.

According to the basic agreements exchanged between Suzuki and Hungary in January, the plant and equipment for the project will cost Y20 billion. Of this, Y10

billion will be funded by the joint firm, while the remaining half will be covered by loans from banking organizations, including the Export-Import Bank of Japan and the national bank of Hungary.

Of the Y10 billion in start-up capital, 50 percent will be provided by the Hungarian company, an amalgamated group of 19 companies including local banks and auto-parts makers, 30 percent by Suzuki and 10 percent by C. Itoh & Co., a Japanese trading company. The remaining 10 percent will be provided by the International Finance Corporation, a World Bank affiliate.

The ministry will provide overseas investment insurance for the Y4 billion yen to be funded by Suzuki and C. Itoh. The remaining Y6 billion's worth insurance will cover loans for Japanese-made products to be shipped to Hungary, including assembly-line robots, numerically controlled machinery and engines. The insurance will assure that the exporters receive payment for their goods.

In light of recent moves among Coordinating Committee for Export Control (Cocom) member countries to relax its export rules to East Europe, the ministry sees no problem with exporting high-tech products for the venture to Hungary.

According to the joint-venture plan, a new car plant will be set up in a Budapest suburb. Construction will begin once the joint-venture agreement has been formally signed. Production will begin in 1992 with two Suzuki Swift models with engine displacements of 1,000cc and 1,300cc.

Japan To Provide Insurance, Credit for Poland

OW0603064190 Tokyo NIHON KEIZAI SHIMBUN in Japanese 3 Mar 90 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] The government will begin to accept insurance for Poland-bound trade starting 5 March, resuming such trade insurance nine years after it was suspended in 1981 due to Poland's delay in repaying its debts. This measure was taken as a follow up to the $350 million insurance quota indicated by Prime Minister Kaifu during his European visit last January, in order to provide economic assistance for Poland's efforts at democratization and introduction of a market economy. The government has also recently decided to provide Poland with a credit line of $500 million through the Japan Export and Import Bank [Exim Bank], and it is believed this will activate investment and trade by Japanese companies.

Trade insurance is a form of public credit that partially compensates for corporate losses due to unforseeable events, such as the implementation of restrictions on currency transactions. It helps in reducing trade and investment risks on the part of Japanese companies. This system usually does not apply to countries rescheduling debt repayments due to the sizable risk. However, in view of Prime Minister Kaifu's European trip, the Ministry of International Trade and Industry has decided to implement the system within the promised quota in order to take a clear stand on assistance to Poland in its democratization efforts.

Trade insurance for Poland will be accepted during the next two years within the $350 million quota, of which $150 million will be used as "short term insurance" for transactions whose payment terms are less than one year; these will be automatically approved if the application comes within the set quota. For massive projects over one year covered by "mid- and long-term insurance," for which $200 million is allocated, applications will only be accepted after the feasibility and other conditions of the projects have undergone case by case examinations.

Regarding industrial cooperation projects with Poland, Tomen [Toyo Menka Kaisha, Ltd.] is planning a cement joint venture (total capitalization estimated at $200 million); Asahi Glass Co., Ltd. has a glass plant project; while Daihatsu Motor Co., Ltd. has a car manufacturing joint venture in mind. Before implementing such projects, it will be necessry to resolve the problem of Japanese companies' usual caution about investment risks, in addition to Poland's shortage of foreign currency. The Exim Bank's $500 million and the resumption of trade insurance will contribute subtantially to the realization of these projects.

Mitsubishi-Benz Accord Threat to U.S. Industry

OW0903195990 Tokyo MAINICHI DAILY NEWS in English 8 Mar 90 p 1—FOR OFFICIAL USE ONLY

[Text] Japan's Mitsubishi Group and West Germany's Daimler-Benz' move toward cooperation in a plethora of fields is likely to redraft the world's corporate map spearheaded by Europe speeding toward a new order with the dramatic changes in the Soviet Union and Eastern Europe.

If Japan and West Germany exchange the latest aerospace technology it may help them close in on the United States, which now has an enormous lead in the aerospace field, leading the Ministry of International Trade and Industry (MITI) to express concern over a negative reaction from the U.S. industrial sector.

The exchange between the two giant industrial gorups was proposed by Daimler-Benz, apparently with an eye on beefing up its competitiveness before the integration of the European Community (EC) market in 1992.

Daimler-Benz plans to paredown in automobile division, Mercedes-Benz AG, which commands 74 percent of the gorup's total sales as compared to 16 percent for AEG, the group's home appliance division, and 10 percent for its aerospace division, Deutsche Aerospace.

The two groups will probably focus most of their attention on the aerospace field, and expect that the addition of state-of-the-art Japanese electronics technology will be

a selling point in the private airplane market. The role of the Mitsubishi Group's giant trading house, Mitsubishi Corp., is of interest to Daimler-Benz.

With the unification of the EC market and the democratization of Eastern Europe, the know-how of a trading house can strengthen the tie-ups between manufacturers, and Mitsubishi Electric Corp. and AEG can beef up their lines and seek out demands for original equipment manufacturing.

Meanwhile, Mitsubishi says the link-up is the core of Mitsubishi Heavy Industries, Mitsubishi Electric and Mitsubishi Motors' strategy to deal with the EC's market integration. Mitsubishi Motors already has a partnership with Mercedes-Benz Japan Co., Ltd. when they jointly set up a company to market Benz automobiles in the Japanese market last year.

Although Mitsubishi has a tieup with Daimler-Benz on the domestic level, it is negotiating with European auto manufacturers about teaming up on local production with an eye on the integration of the EC market.

In addition to Mercedes-Benz, Sweden's Volvo is said to be a strong candidate as a European partner. Both groups agree that a combination of Japanese and West German know-how in the aerospace field could produce a potent challenge to the U.S., by far the front runner in the industry.

The teaming up of the four core Mitsubishi Group companies and West Germany's leading industrial group, Daimler-Benz, does not focus on a concrete strategy for any specific field, according to MITI.

All in all, MITI praised the link-up as a natural step in the diversification of internationalization given taht the relationship of Japanese industry with European industry had been superficial. But, while the two groups are to stay clear of cooperation in the politically sensitive field of defense, the U.S. is certain to keep a wary eye on the development of their relationship.

MITI is especially interested in the global impace the link-up will have on the aerospace industry.

One potential source of conflict in the aerospace field is the linkup of Mitsubishi Heavy Industries with the U.S. Boeing Co., in the field of passenger jets, which makes it a rival of Deutsche Aerospace (DASA), the Daimler-Benz subsidiary that produces the European-made Airbus.

Another problem is Mitsubishi Electric's leaning towards Ford Aerospace in work on rockets.

Thus, the relationship between the two groups is vague, according to MITI, and MITI is asking Mitsubishi to clarify the nature of its intended relationship with Daimler-Benz. The tie-up between the two groups could also cause the United States to view Japan as a future rival in the aerospace industry, and it seems likely the U.S. will put strict limitations on the commercial use of technology gleaned from the joint development of the FSX jet fighter.

Editorial on Tie-Up Between Benz, Mitsubishi

OW1103155490 Tokyo MAINICHI DAILY NEWS in English 10 Mar 90 p 2—FOR OFFICIAL USE ONLY

[Editorial: "Mitsubishi-Benz Tie-Up"]

[Text] The reported tie-up between the Daimler Benz Group of West Germany and the Mitsubishi Group of Japan is a move appropriate for the 1990s, an economic age on a global scale that transcends national borders. Details of the tie-up are to be worked out after, but the significant point at the moment is the forming of the cooperative relationship. Both sides are particularly active in the fields of automobiles, electrical applicances and aerospace, together with armaments.

The Deutschesbank, which stands at the pinnacle of the West German financial world, holds a 28 percent stake in the Benz Group, thus the power that the Benz Group wields in West Germany is enormous. In that sense, it is believed that the tie-up has come as a considerable shock to the world economy and to Japanese, American and European enterprises.

The aim of the Benz Group is undoubtedly the use of the high level electronics technology possessed by the Mitsubishi Group. Moreover, the fact that the top leaders of the two groups gathered at Singapore and reached an agreement on the tie-up indicates that the Benz Group has an extraordinary interest in the Asia-Pacific region, the world's fastest growing area.

The tie-up provides advantages for the Mitsubishi side also. Japanese enterprises are today making direct investments at a rapid tempo with an eye on the integrated EC market scheduled for 1992. Thus, it will be a big "plus" for the Mitsubishi side to join up with West Germany's foremost industrial group in advancing into a great European market that envisages the Soviet Union and the countries of Eastern Europe also.

The two states have declared that the munitions industry is not a field covered by the tie-up. This is only natural. Prudent entrepreneurial moves should be carried out in a manner that will not resurrect memories of "Messerschmitts" and "Zero fighter planes."

At the same time, in the 1990s when the walls along national borders are coming down and when mutual investment, possession of property and management will increase, there are bound to be more such tie-ups between enterprises.

Up to now, Japanese-American-European relaitons were said to be a "distorted triangle." Although there were big pipelines for the flow of trade and information between

Japan and the United States, and between the United States and Europe, the pipeline suddenly became smaller between Japan and Europe.

Although the tie-up is in the private sector, it will enlarge the Japan-Europe pipeline and contribute to turning the Japanese-American-European relationship into an equilateral triangle.

Japanese enterprises have had the appearance of leaning too heavily toward the United States. The tie-up between the two giant enterprises of Europe and Japan may enable Japan to acquire a kind of bargaining power.

The world today is divided into the three large economic blocs of North America, the EC, and the Asia-Pacific region. If protectionist moves strengthen in the world economy, these economic blocs might each attempt to become self-sufficient. But if both sides advance mutually into the other's sphere through the present tie-up and others that will surely follow, this will help to curb moves toward isolation.

This is now an age of confrontation between the economic principle of transcending national borders and politics that seeks to keep borders inviolate at all costs. Global enterprises will need the capability to overcome such conflicts and be a skillful player in the world economy.

Editorial on Mitsubishi-Benz Cooperation

OW0903144090 Tokyo ASAHI EVENING NEWS in English 8 Mar 90 p 6—FOR OFFICIAL USE ONLY

[8 March editorial: "A Colossus Is Born"]

[Text] The Mitsubishi group of Japan and West Germany's Daimler-Benz group, both giant conglomerates that represent their respective countries, have agreed on extensive business cooperation. Since the exact nature of their collaboration has yet to be announced, it is still too early to assess the potential impact of this agreement.

But one thing is certain; in terms of the future of the global economy, it is most significant that a giant Japanese conglomerate is latching on to the European market in this manner, just when the European ecoomy is undergoing a rapid structural reorganization due to three factors—the planned European Community (EC) market integration, the coming closer of East and West Europe, and talks of German unification.

In the last couple of years, Japanese manufacturers and financial institutions have been advancing into Europe en masse, so as to be there before the EC market becomes integrated at the end of 1992. The reasoning of these businesses is that the post-integration EC may well become a bastion of protectionism, which will make it extremely difficult for them to establish themselves there or export their products to Europe.

But Mitsubishi's tie-up with Daimler-Benz represents a clear departure from that thinking.

Reportedly, it was the German group that proposed this tie-up to Mitsubishi. We believe we can safely say that Daimler-Benz had a major strategy in mind, which was to enlist the collaboration of Japan's largest and most closely knit business conglomerate in order to maintain its dominance in the European market.

And needless to say, Mitsubishi must have weighed all the odds involved and concluded that it would be to its advantage to have Daimler-Benz on its side in tapping a market that is likely to extend even beyond the EC to East Europe, and be given access to the German partner's renowned technological expertise in the areas of passenger car, aeronautics and space development.

This major agreement casts much light on the current Western economic order, whose three main "blocks" are the United States, Europe and Japan.

So far, Japan and the United States have been close, and so have been the United States and Europe, but Europe and Japan have been fairly distant. An image one gets from these relations is that of an isosceles triangle, which can become equilateral only if Japan and an expanding Europe become closer.

In many areas of industry, Japan ranks among the highest in the world in competitiveness and technological skill. It would be wonderful if Japan could help bolster the European economy and contribute to its resurgence, thereby to share some of America's burden in activating the global economy.

But depending on how things go, the tie-up between Mitsubishi and Daimler-Benz can generate a negative impact.

For one, this may deeply upset the United States. Although the agreement does not cover defense, aviation and space development are two important areas of collaboration. These fields happen to be among the few where the United States is still competitive, and there is no telling how the Americans will react to the Japanese-German collaboration in these areas.

As the recent Japan-U.S. summit and trade talks have revealed, political and emotional conflicts between the two countries have not abated in any way, and anti-Japanese sentiments in America are still strong among those who regard Japan as a menace to their country. To these people, it must be most annoying that the same Japanese group that bought the Rockefeller Center has decided to collaborate with the most powerful conglomerate in West Germany.

And to Europeans, too, who are apprehensive about German unification, this agreement between two economic giants—and former Axis partners at that—must be some cause for concern.

Although Mitsubishi and Daimler-Benz are both private business groups, they are still powerful enough to be very closely related to the national interests of Japan and West Germany, respectively. To avoid creating any

international friction, we strongly urge both parties to use utmost care in the choice of fields of collaboration and be quite open about their joint undertaking.

This tie-up spells a further advance of the "borderless" economy, and indicates that Japan and Europe have joined the United States on the world's multinational business scene. it is becoming virtually impossible for Japan to keep holding on to a closed market system.

YOMIURI on Inroads Into European Market

OW1103001390 Tokyo the DAILY YOMIURI in English 9 Mar 90 p 6—FOR OFFICIAL USE ONLY

[YOMIURI SHIMBUN 8 March editorial: "New German Connection"]

[Text] The planned tie-up between the Mitsubishi group and Daimler-Benz AG of West Germany has caused a stir and more than a little apprehension in the international community. The cooperative agreement between a representative business group of Japan, already regarded as a threat to the United States, and a large business group in West German, which will become the core of the "New Europe,' is bound to cause some uneasiness.

The two business groups represent the biggest defense conglomerates in their respective countries. They have given assurances that they will not form joint ventures in the defense business. However, the United States will be extremely nervous about their tie-ups in the space, aircraft, automotive, and electronics industries.

The executives of the two groups have just concluded their basic talks and have had no time yet to come up with specific cooperative ventures or tie-ups. Therefore, some International Trade and Industry Ministry officials say judgments and comments are premature.

Mitsubishi's business rivals say Daimler-Benz will benefit by the tie-up, but Mitsubishi may soon have [to] weigh the advantages against the disadvantages.

Inroads Into Europe

Although a final judgment will have to wait, the tie-up is further proof that corporate activities beyond national territories are accelerating toward a "borderless economy." With the integration of the European Community in 1992 growing closer, the EC is regaining its vitality. Also, there is now talk of the creation of a "Greater Europe" through the economic involvement of East Europe. And at the same time, efforts toward the reunification of the two Germanys are intensifying. This leads some to predict that the 1990's will be the decade of Europe.

Many Japanese companies in recent years have been making sizable investments in Britain as a base for their inroads into Europe. The announcement of the Mitsubishi tie-up came when many Japanese firms are considering establishing footholds in Wst Germany. The tie-up also strengthens Daimler-Benz's competitive power in the corporate battles in Europe.

But what should be considered of significance is the fact that two major corporate groups, one in Europe and one outside, share common business interests.

Shifting Investments

There has been worldwide concern that an economic "fortress" is being erected in Europe that will shut out other countries. But if West German and Japanese companies begin to share profits, this will go a long way toward preventing European exclusiveness.

Japanese companies have invariably chosen the United States as their top overseas market for investments in plants and the acquisition of real estate and companies. This flood of investments has caused some resentment toward Japan and further strained economic relations. But if Japan's investments now begin to flow into Europe, this could help to ease Japan-U.S. economic friction.

But there is the danger that the United States may view the West German tie-up as further proof that Japanese businesses still act as a group, and its tie-up in aviation and space development could pose a serious threat to U.S. dominance in these fields.

AEG Joins Franco-Japanese Joint Venture

OW1203011590 Tokyo NIHON KEIZAI SHIMBUN in Japanese 11 Mar 90 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] It was learned on 10 March that AEG—the Daimler Benz group of West Germany—has decided to co-invest in Europe Electronic Oven Manufacturing Co (main office at Esnes, Gascony), a manufacturing firm set up in France in a joint venture between Toshiba Corp and the French general electronic manufacturer Thompson. The joint venture company will increase its capital as early as this month, and AEG will take over one-third of the capitalization. This Japan-France-Germany tripartite joint venture in the electronic industry is the first ever between these three nations. Daimler Benz only recently announced a project to cooperate with four firms of the Mitsubishi Group, including Mitsubishi Electric Corp, and this latest move makes it clear that the group, looking ahead to the European Community market merger in 1992, is willing to cooperate with other groups, if necessary, depending on the field concerned.

Europe Electronic Oven Manufacturing Co was set up in 1986, with Toshiba investing 49 percent and Thompson 51 percent in the total capitalization of 25 million francs (one franc is worth about 26 yen). The company is producing 400,000 sets of products a year, and the products are sold by Toshiba and Thompson under their own brandnames—in volumes of about a half each.

Taking in the capital participation of AEG, the company will increase its capital to 37.5 million francs, the three companies each contributing one-third. The company plans to raise the production quantity to the 1 million-unit level by 1993. The electronic ovens produced by its plant at Esnes, about 400 kilometers southwest of Paris, will be sold by these three participating companies under their own brandnames.

The background for the cooperation of Toshiba, Thompson, and AEG is their aim to reduce production costs by expanding production scale and increasing competitiveness, in addition to lightening investment burdens of the companies.

AEG is West Germany's No. 2-ranked general electronic manufacturer, and is selling about 300,000 electronic ovens in Europe, centering around Central Europe. In order to extend its sales in South Europe, where they are relatively low, the group has been searching for a new production base.

The group is currently proceeding with negotiations with Mitsubishi Electric Corp on cooperation in the field of information communications. Despite the relationship, the group went ahead and elected to cooperate with Toshiba, apparently deciding that Mitsubishi Electric Corp has no appropriate production base for electronic ovens in Europe.

China

First Post-Tiananmen Vice-Ministerial Talk Set

OW1103074690 Tokyo NIHON KEIZAI SHIMBUN in Japanese 10 Mar 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] A government source disclosed on 9 March that a decision has been made to send Deputy Vice Minister for Foreign Affairs Owada to China in early April to attend consultations between Japanese and Chinese foreign affairs authorities at the vice ministerial level to be held in Beijing. While views will be exchanged on such issues as the Korean peninsula situation and the Cambodian problem, the two sides will also hold talks on improving bilateral relations. This will be the first visit to China by an official at the vice foreign ministerial level since the armed suppression at Tiananmen Square. The consultations between Japanese and Chinese foreign affairs authorities are held once every two years for an extensive exchange of views on bilateral relations as well as on the international situation. The last such consulations were held in March 1988.

The government dispatched then Director Matsuura of the Economic Cooperation Bureau under the Foreign Ministry to Bejing last January. The government has resumed full-scale governmental exchanges by promoting consultations on resuming third yen-based loans and also by inviting Zou Jiahua, chairman of the Chinese State Planning Commission, to visit Japan. As part of efforts to create conditions for improving the relations between Japan and China, the government has decided on sending Deputy Vice-Minister for Foreign Affairs Owada to China this time.

Tomen To Participate in PRC Textile Venture

OW0903134190 Tokyo SANKEI SHIMBUN in Japanese 6 Mar 90 Morning Edition p 9—FOR OFFICIAL USE ONLY

[Text] Toyo Menka Kaisha [Tomen] on 5 March announced its participation in a new dyeing and weaving company in Fushan City, Guangdong Province, China. It is a joint venture with organizations in China and Hong Kong. The firm, named Kaofeng Textile Weaving and Dyeing Industries Ltd., will begin production in August with the aim of producing and supplying stable quantities of woven and dyed products that will be internationally competitive in price and quality. It will use good quality Chinese cotton yarn.

The new company will be capitalized at $7.2 million (about 1 billion yen). The investment ratio will be 42.5 percent by Fushan City authorities, 30 percent by Kaoming County Cotton Textile Plant, 16.5 percent by Eskel Enterprises [name as published] of Hong Kong, and 11 percent by Tomen.

The newly installed plant will have annual production capacities of dyeing 1,000 tons of yarn, weaving 600,000 yards of cloth, and processing 1.2 million yards of finished cloth. The site for the plant has an area of 35,000 square meters.

Steel Industry Exchange Program Begins With PRC

OW0903030890 Tokyo ASAHI SHIMBUN in Japanese 6 Mar 90 Morning Edition p 8—FOR OFFICIAL USE ONLY

[Text] A regular Japan-China steel industry exchange program started in Tokyo on 5 March. The Japan Iron and Steel Federation (chairman Hiroshi Saito) and the Chinese Ministry of Metallurgical Industry represent the respective sides. An agreement to exchange views annually between the steel industries of Japan and China on management, technology, and investment was signed between the two countries in January 1989, but the start of the program was put off because of the Tiananmen incident in June.

An eight-man Chinese group led by Duan Ruiyu, vice minister of metallurgical industry, arrived in Japan on 5 March. The visitors will exchange views, visiting various steel refineries over a period of 10 days. Last year, China's output of crude steel surpassed 60 million tons for the first time. The country now plans to produce 90 million tons of crude steel a year by the year 2000.

However, China's demand for steel has fallen considerably following its economic retrenchment policy in 1988 and also because of the Tiananmen incident. Therefore, the Japanese side is very concerned about China's economic future.

Company To Set Up Software Firm in Shanghai

OW0303082790 Tokyo NIHON KEIZAI SHIMBUN in Japanese 27 Feb 90 Morning Edition p 11—FOR OFFICIAL USE ONLY

[Text] A computer-aided designing and manufacturing (CAD/CAM) software firm, Unic Co. (president: Susumu Kawashima, with its head office in Tokyo), will establish a CAD/CAM developing and marketing joint venture company in Shanghai with a Chinese die maker sometime in March. It will tie up with the Shanghai Mould Technology Research Institute of Shanghai, jointly established by the Shanghai Municipal Government and Shanghai Jiaotong University.

The proposed joint venture company is to be manned primarily by local Chinese technicians and to develop original CAD/CAM software. The products will be exported to the United States and other countries, in addition to Japan.

This will be the first case of Chinese-made CAD/CAM products being exported. There are a number of Japanese software companies that have branched out in China, to date, but most consign simple input service and other subcontract work to Chinese firms. Unic made its decision in the belief that China is internationally competitive enough due to its high level of CAD/CAM technology.

The company will be called "Shanghai Utac Software Corp.," and capitalized at 36 million yen. The Chinese side will provide 51 percent of the capital and Unic Co. will share the rest. Initially the company will hire 25 employees but will increase their number to approximately 100 in about five years. Prior to the establishment of the joint venture company, Unic will establish a new firm in Japan to manage the joint venture company. The new company, to be called "Unitech," will be capitalized at 5 million yen and its head office will be located in Osaka. Unitech will take charge of importing CAD/CAM software processed by Utac in China, and will serve as the liaison office for receiving trainees from China.

Jiaotong University Senior Professor Ruan Xueyu, who is concurrently the director of the Shanghai Mould Technology Research Institute, will also hold the post of the president of the joint venture Utac.

North Korea

Nakayama Sees New Hope in Fujisan Maru Issue

OW0603055690 Tokyo SANKEI SHIMBUN in Japanese 1 Mar 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] Foreign Minister Nakayama gave an interview to SANKEI SHIMBUN on the afternoon of 28 February in which he said that in connection with the issue of the release of skipper Isamu Beniko and another Japanese crew member of the No. 18 Fujisan Maru, who have been detained by North Korea (DPRK), "there have been unprecedented moves in North Korea's foreign missions." He stressed, "I strongly hope a positive solution will materialize."

The foreign minister said he "would rather refrain from" mentioning the specific changes happening to North Korea, but pointed out: 1) the Soviet new thinking diplomacy, and 2) the changes in East Europe have influenced the North Koreans.

In this connection, a Foreign Ministry source pointed out: 1) North Korea has sent a new ambassador to Poland, which has established diplomatic relations with the ROK; and 2) North Korean diplomats have stopped refusing to make contacts (with Japanese diplomats). However, he said that "it is more a matter of fine-tuning rather than one of change. North Korea has not agreed to negotiate on the Fujisan Maru issue."

On the lifting of the suspension of the third yen loan to China (totaling 81 billion yen from 1990 to 1995), Nakayama said, "It is very important for us to see new concrete moves in China's policy of reform and opening to foreign countries. This will bring about new development in Japan-China relations." He thus emphasized the need for efforts on China's part.

In addition, the foreign minister mentioned his plans for foreign visits: 1) a visit to Indonesia in connection with the Cambodian problem; and 2) a visit to the oil-producing countries in the Middle East. He also disclosed what he wanted to accomplish on these trips.

Mongolia

Economic Exchanges With Mongolia Examined

OW0503075790 Tokyo ASAHI SHIMBUN in Japanese 28 Feb 90 Morning Edition p 11—FOR OFFICIAL USE ONLY

[Text] Japan's economic relations with Mongolia, the socialist nation in the center of the Asian Continent, are beginning to expand. On 27 February, Premier Sodnom arrived in Japan on his first visit to a Western industrial nation. Japan is thinking of using this occasion to make Mongolia a most favored nation in trade relations. In industrial circles, negotiations are under way to probe for possible cooperation—C. Itoh and Co. in the construction of a steel refinery in Mongolia, and Japan Victor Co. and Nissho Iwai Corp. on technological cooperation in construction of a color television production plant.

Regarding its economy and politics, Mongolia has long been under the strong influence of the Soviet Union, but is now seeking to secure economic self-sufficiency by carrying out a "reform and renovation" policy, which is a Mongolian version of Soviet perestroyka. Now, Mongolia's expectations in Japan as a "second partner (after the Soviet Union)" in the economy are great.

Diplomatic relations were established in 1972, but in the area of economic cooperation, there has been only one noteworthy development. A cashmere yarn plant, called the "Gobi Industrial Complex" was constructed in Mongolia in 1977 (with 5 billion yen provided in grant aid). In trade, all activities have been limited to those of Japan importing cashmere yarn from Mongolia and exporting negligible numbers of machines. It was a "country forgotten during the 1980s," (to use the words of a Japan Trade Promotion Office [JETRO] official). Coming into last year, however, trade began to grow rapidly, though still small in volume. Imports from Mongolia in the year amounted to $38.36 million (an increase of 46.1 percent over the previous year) centering around cashmere yarn and its products, and exports to the country of such products as medical instruments went up to $7.27 million (an increase of 74.3 percent). The granting of most favored nation treatment will "provide momentum to economic cooperation of the two nations," (according to JETRO).

C. Itoh and Co. and Mitsubishi Heavy Engineering Co., which is an affiliate of Mitsubishi Heavy Industry Co., already have a basic agreement with the Mongolian Government's Metal Industry Committee providing 8.1 billion yen worth of equipment, such as electric furnaces and rolling machines, for a new steel refinery. The companies' plan is to go into a formal contract on the deal during March, once the Ministry of International Trade and Industry decides to underwrite the insurance on trade with Mongolia as a result of Premier Sodnom's visit. The new steel refinery will use iron scraps as material and will produce about 100,000 tons of steel products per annum. In terms of quantity, this will satisfy the country's domestic demand for steel products.

On the other hand, a project pursued by Japan Victor Co. and Nissho Iwai Corp., together with the local electric and electronic manufacturer, Monel Co. [name as published], is for Mongolia's first color television plant. The plant will produce 10,000 sets a year in a "semi-knockdown" arrangement—under which semi-finished products imported from overseas will be built into finished products under technical guidance of the Japan Victor Co. "We are aiming to finalize negotiations this spring," a Nissho Iwai Corp official said, and the Mongolian side is hoping to start production in September. Initially, the products are for the domestic market, but exports to the Soviet Union are also thought possible.

International Affairs

Diplomacy With Asian Socialist Nations Begins

OW0403093190 Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Feb 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] Taking advantage of diminishing Soviet influence on Asian socialist nations, the Foreign Ministry started its positive diplomacy with these socialist nations. Asian Affairs Bureau Director Tanino visited Vietnam; political dialogues on issues such as Cambodian peace resumed; and Mongolian Prime Minister Sodnom chose Japan as the first destination for his visits to the Western nations. During Sodnom's stay in Japan, he will sign a trade agreement, which includes a clause on giving Mongolia most-favored-nation status.

Since socialist nations such as Mongolia and Laos have maintained close relations with the Soviet Union, they have adopted political and economic systems which rely on the Soviet Union. However, due to the Soviet Union's shift to perestroyka (restructuring), these nations started moves to introduce political democratization and market-oriented economies.

On the other hand, since the Soviet Union decreased its aid to these nations, they are now facing a serious economic situation. Thus, they are asking Japan to expand its economic aid and direct investment. Hence, when Lao Prime Minister Kaysone visited Japan last November, Japan promised that a technological cooperation group would be sent to investigate local telephone network facilities.

Judging these moves as "a good chance for striking while the iron is hot" (as remarked by a leading official), the Foreign Ministry decided on positively expanding diplomatic channels to provide available aid.

Meanwhile, Asian Affairs Bureau Director Tanino is to be dispatched to Vietnam for political dialogues for the first time in about one year and two months. Political dialogues were started in November, 1998, when the then Deputy Vice-Minister for Foreign Affairs Kuriyama visited Vietnam. Aid to Vietnam was suspended due to its intrusion into Cambodia. And it is observed that the two sides exchanged views on Cambodian peace and the reopening of Japanese aid at the recent political dialogues.

Envoy to UN Urges Increased Peacekeeping Work

OW0703044090 Tokyo TOKYO SHIMBUN in Japanese 3 Mar 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] The newly appointed ambassador to the United Nations, Yoshio Hatano, recently gave an interview to TOKYO SHIMBUN at the Foreign Ministry, in which he gave his views on the future conduct of Japan's UN diplomacy.

During the interview, Ambassador Hatano talked about Japan's dispatch of personnel for UN peacekeeping operations (PKO). He said that "by building a national consensus, it would be good to increase our participation by moving from election monitoring to cease-fire monitoring initially." He thus showed a positive attitude toward expanded cooperation in PKO activities.

Japan's dispatch of PKO personnel is at present limited to election monitoring in Namibia, Nicaragua, and other

areas. The ambassador's remarks indicate his belief that Japan's participation should be upgraded to the level of cease-fire monitoring. This may materialize as soon as the framework for UN involvement in the problem of Cambodian peace is set.

Ambassador Hatano also touched on Japan's strategy at the "UN General Assembly Special Session on Economic Issues" to be held in New York from 23 to 27 April. He said that Japan "will look at the problems from the developing nations' point of view, while also making strong demands on these countries." He spoke strongly in favor of an attitude of overcoming the expected confrontation between the advanced and developing countries at the General Assembly, and working for the success of the special session. Furthermore, the ambassador predicted that, "in view of East-West relations entering an era of dialogue from one of confrontation, the United Nations will have an increasing role in the settlement of regional conflicts and other political issues." He also expressed his view that "the United Nations will have a growing role in solving global social problems, such as human rights, refugees, environment, and drugs."

* Changes Might Mean 'Decade of Managed Trade'

902A0052A Tokyo CHUO KORON in Japanese Jan 90 pp 60-61—FOR OFFICIAL USE ONLY

[Article by Iwao Nakatani, Osaka University Professor]

[Text] We can probably conclude that the Soviet-U.S. cold war structure has been destroyed and that we will now enter an era of true detente. Traditionally, detente would be a phenomenon to be welcomed with joy. However, I want to caution that the reality is that detente comes with a decline in the influence of the United States and the Soviet Union in the world. That is to say that a shift from a bipolar world structure to a multipolar structure can no longer be avoided.

Broad shifts in structure sometimes breed confusion and there is a strong possibility of a resurgence of nationalism. When nationalism thrives, globalism in economic activity (the idea of free trade) will naturally be suppressed. That is because nationalism and free trade are naturally incompatible.

In the final analysis, in a process where the world structures changes from bipolar to multipolar Japan and West Germany, both of which have been content with supporting roles until now, will appear differently on the world stage. That is because once the stiff restraining bonds of the cold war structure are loosed, each country will gradually come to act in accordance with its own strength.

For example, the case for support of Poland and Hungary, in contrast to the inability of both the United States and the Soviet Union to set forth bold policy initiatives due to their financial situations, Germany has already undertaken a positive support policy. When you ask what Japan will do, and as usual a clear stance is hard to discern, in the end it will probably respond to the request of the United States and institute support in accordance with its position as the world's leading ODA [overseas development assistance] nation. In this way, under a multipolar structure, we have a situation where Japan and West Germany, whether they like it or not, because of their economic strength will have to take a leading role on the world political stage, in place of the United States and the Soviet Union.

Thinking about it, and reducing it to an economic proposition, the immediate theme for the 1990's probably will be whether or not the "philosophy of free trade" that was spread by the United States after World War II can be maintained. The nations that can promote the free trade system are basically limited to those countries with international competitive ability. That is because "free trade philosophy" is, after all, the "logic of the strong." The United States, as a strong power, forcefully promoted the "free trade philosophy" after the end of the war, but with its declining competitive ability its protectionist behavior has been noticeable.

It is West Germany and Japan which are in the position of maintaining free trade and which should promote it in place of the United States but it is questionable whether either country truly believes in the "free trade idea." Originally the idea of free trade was compatible with Anglo-Saxon philosophy, but perhaps it is a way of thinking that does not fit well with the predispositions of the German and Japanese peoples. This can be seen at the Frankfurt financial markets which are heavily regulated and have not been able to achieve the international openness that the London market, for example, have achieved. The Japanese too, are a people who like "management" even more than free competition and lack the tendency to promote liberalization and loosen regulations of their own accord. The best proof of that is that even now they can only move forward and loosen regulations by relying on outside pressure.

If West Germany and Japan do not move to support the free trade structure positively, in place of the United States, neither country seems conscious of the fact that this will cause the future of the system to be at risk. Given this situation it is probably unavoidable that the 1990's will become an era of "managed trade."

At the present time the United States-Japan Structural Impediments Initiative [SII] talks are taking place, but their progress is unsatisfactory. What is fundamentally different about these talks and U.S.-Japanese negotiations in the past is that they are not one-sided with the United States making demands on Japan, but that the Japanese side is also making demands on the United States about corporate behavior and the low savings rates in the United States. The thinking in Japan is that it will not make one-sided concessions as before, but it is inclined toward trying to make concessions in exchange for concessions on the part of the United States. This is a fundamentally different point from that of the series of

U.S.-Japanese negotiations that began with the textile talks, but it is thought that dangerous pitfalls might still await.

That is to say, the negotiating pattern heretofore had its own particular utility for both Japan and the United States. The United States side could win concessions from Japan, even if only partially, and the Japanese side too could borrow the help of foreign pressure to assist in the reform of domestic issues. However, if the negotiating pattern has changed, then we are unable to use the convenient method of the past. As a result, we arrive at a situation where the clash of the nationalism of both nations can easily be predicted.

The important thing is that Japan continue to have a clear consciousness that it is the promoter of the free trade system when it negotiates. Furthermore, it is necessary that the Japanese side becomes the one that presents plans for a positive solution, and it is essential that it be able to block the enticements of the United States to managed trade and protectionism. If the Japanese posture is, from start to finish, a childish one of saying that it will do nothing if the United States cannot solve its own problems, then it is unavoidable that the 1990's will become the "decade of managed trade." What is essential for the 1990's is a great revolution in Japanese consciousness.

Agriculture Minister on Rice Self-Sufficiency

OW0903040390 Tokyo TOKYO SHIMBUN in Japanese 7 Mar 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

["Excerpts" from TOKYO SHIMBUN interview with Agriculture, Forestry and Fisheries Minister Tomio Yamamoto; date, place not given; part of series "Querying Key Cabinet Members"]

[Text] [TOKYO SHIMBUN] The theory of absolute self-sufficiency, which "does not allow the import of even a single grain of rice," is internationally isolated and also the object of domestic criticism.

[Yamamoto] I do not think that it is appropriate to use the phrase not even a single grain. As a matter of fact, rice used to make the alcoholic drink awamori in Okinawa is imported from the United States. However, with regard to total self-sufficiency, if we take into consideration the fact that demand for rice is falling due to reduced consumption, that the overall area of rice paddies has been reduced by 30 percent, and that the percentage of self- sufficiency in food grain has dropped significantly, we are not in a position to engage in even partial importation. We have asked in GATT to be allowed to maintain total self-sufficiency and we would like to seek the business sector's and the consumers' understanding.

[TOKYO SHIMBUN] What do you think is the reason for the farmers' loss of faith in agricultural administration?

[Yamamoto] Agriculture is caught up in the wave of internationalization and has entered an era in which problems cannot be solved purely in a domestic context. Although I do not think that the way we dealt with the beef and citrus issues was entirely wrong, I suppose that from the viewpoint of farmers, who must accept liberalization, distrust and discontent will surface. With the defeat in the upper house election, the party and the government have keenly felt the farmers' distrust. I think that former Agriculture Minister Kano's serious attitude in dealing with problems on his campaign tour all over the country has led to the outcome of the recent general elections. I think that the state should think about the self-reliance of each and every farming household. The Staple Food Control System is undergoing various revisions. We will maintain its basic function.

[TOKYO SHIMBUN] The government-supported prices for agricultural and livestock products were all maintained at a status quo last year for the sake of the general elections. The first setting of prices for this year will come really soon in late March when prices for milk are to be determined. What will you do about the issue of lowering prices in order to reduce the price gap between Japan and foreign countries?

[Yamamoto] The setting of prices is a crucial life-and-death matter for producers. We will persist in the line of increasing productivity and establishing rational prices for agricultural products set by the Agricultural Administration Council in 1986. With regard to the setting of milk prices, I would like to make a decision after fully taking into consideration the wishes of producers' groups, demand, the wishes of the Liberal Democratic Party which won in the general elections, and the recommendations of the Livestock Industry Promotion Council.

Minister Says Japan Has No Plan for Rice Opening

OW0303173890 Tokyo MAINICHI DAILY NEWS in English 2 Mar 90 p 9—FOR OFFICIAL USE ONLY

[Text] Newly appointed Forestry, Fisheries and Agriculture Minister Tomio Yamamoto has said the ministry has no plans to liberalize Japan's rice market.

"It's impossible. We have already been forced to reduce rice paddy acreage," he said to reporters, hinting that there is no room for imports in Japan's rice market, which is already glutted. But commenting on a pledge made by the ruling Liberal-Democratic Party during the recent general election campaign, the new farm minister said it is difficult to totally regulate rice imports.

Japan's has, in fact, partially opened its market to processed rice, imports of which totaled 16,000 tons in 1988.

As for Japan's trade in wood products, which the Unied States charges is unfair, Yamamoto said the government is willing to discuss the issue under the rules of the General Agreement on Tariffs and Trade. He was suggesting Japan would not sit at the liberal negotiating table with the U.S. on the problem. Washington

threatens possible retaliation against Japan on the matter under the so-called "super 301" provision of the 1988 Omnibus Trade Act.

Business Leaders Urge Liberalizing Rice Market

OW0703012690 Tokyo THE DAILY YOMIURI in English 5 Mar 90 p 8—FOR OFFICIAL USE ONLY

["Economic Perspective" column by Kazunori Ozaki: "Business Heads Urge Government To Liberalize Rice Market"]

[Text] The cease-fire is over between Japan's business leaders and the government over its policy of baning rice imports. Business leaders refrained from public discussion of agricultural issues during last month's election campaign for fear it would cripple the Liberal Democratic Party's [LDP's] chances of securing a majority in the House of Representatives. Now that the LDP has won a secure majority, however, they are beginning to attack the government's rice policy.

Eiji Suzuki, presient of the Japan Federation of Employers' Associations (Nikkeiren), was the first to speak out after the election.

"Both the ruling and opposition parties pledged (during the recent campaign) not to allow 'a single grain of foreign rice' into Japan, but I think we should import a small quantity, say about 10 tons," Suzuki said. He said importing small amounts of rice would not conflict with the campaign promises.

Both Eishiro Saito, chairman of the Federation of Economic Organizations (Keidanren), and Takashi Ishihara, chairman of the Japan Association of Corporate Executives (Doyukai), agree that Japan must overhaul its rice policies.

They said that there is no way that Japan will make it through the Uruguay Round of the General Agreement on Tariffs and Trade, which will conclude at the end of this year, without being forced to open up its rice market.

The views of these business leaders hark back to a statement made by Hikaru Matsunaga before the election. Matsunaga, then international trade and industry minister, said that Japan's policy of excluding foreign rice is not acceptable to the international community.

According to a survey of 191 readers of a women's economic magazine by the Japan Institute for Sopcial and Economic Affairs (Keizai Koho Center), two-thirds of the respondents were in favor of liberalizing the Japanese rice market.

Respondents in favor of allowing rice imports into Japan gave two main reasons for liberalizing the market: first, rice imports would make agriculture more efficient as Japanese rice would be forced to compete on the world market; second, allowing rice imports would comply with international free-market rules.

Takashi Sato, chairman of the LDP's Research Commission on Comprehensive Agriculture, recently came up with a shortsighted plan to import foreign rice for use as food aid in disaster-stricken areas of the world. His plan is obviously aimed at dodging foreign pressure without opening up the market.

Sato's proposal is especially distressing since he was agriculture, forestry and fisheries minister and should know that the United States would never accept such a proposal.

Japanese politicians must speak out on the rice issue without bowing to pressure from farmers. As the Japanese women in the survey said, the result will be a stronger, healthier agricultural sector that can hold its own against foriegn competition.

New MITI Head Speaks on Economic Problems

OW0603032090 Tokyo NIHON KEIZAI SHIMBUN in Japanese 2 Mar 90 Morning Edition p 4—FOR OFFICIAL USE ONLY

[Interview with Kabun Muto, new minister of international trade and industry, by an unidentified reporter; part of series entitled "We Hear From Economic Ministers"]

[Text] [NIHON KEIZAI] How do you plan to deal with the economic frictions between Japan and the United States? At the Japan-U.S. structural talks the United States called for a Japanese political decision.

[Muto] In the past, in dealing with the Japan-U.S. talks, Japan's attitude was that of saying it was going to do this and that only to buy time and to get away from doing anything somehow, but that is no solution. I am not saying that since a new minister is now in charge, his way of doing things will be 180 degrees different. But I will speak out. It does not matter if they (the U.S. side) get angry. If they are really our friends, we should be able to say to them what we want to say.

[NIHON KEIZAI] Japan's unique practices—like restricting dealings to companies within the same group or conducting transactions by shutting out outsiders—are being questioned.

[Muto] If such traditional trade practices have done customers a disservice, they can be said to be a problem. But I don't think that that is the case. Perhaps those foreign firms that are trying to get into the Japanese market are not doing enough in terms of sales efforts. When they do business in Japan, for example, most of their people can speak only English. How can that be effective? It isn't true that all Japanese enterprises try to lock foreign businesses out.

[NIHON KEIZAI] In an intermediate report to be prepared for the structural talks in April, the Large Retail Store Law will be one of the focal points.

[Muto] Thinking about medium and small retail stores, we cannot immediately abolish the Large Retail Store Law. There is no problem with the Large Retail Store Law itself,

but there are problems in the way the law operates. If someone who wants to open a shop has to wait 5 or 10 years to do so, then this is absurd. We need not wait for the United States to tell us about that problem. This is something that must be resolved immediately.

[NIHON KEIZAI] Aren't you thinking about making a visit to the United States at an early date to help the talks with the United States proceed smoothly?

[Muto] If there is an opportunity, I would like to visit the United States before the quadrilateral trade ministers meeting of Japan, the United States, Canada, and the European Community (EC) in May. I would like to have frank talks with friends in the U.S. Congress. That is because those who are making the U.S. Government say this and that on trade matters at present are people in the U.S. Congress. It is necessary to have talks with the congressmen. But the Diet proceedings here are being delayed and there is no telling when the supplementary budget for fiscal 1989 can be passed. Thus, it will probably be very difficult for me to make the visit.

[NIHON KEIZAI] How do you plan to deal with the General Agreement on Tariffs and Trade (GATT) and the Multilateral Trade Talks (the Uruguay Round)?

[Muto] There is a possibility that the United States will go in the wrong direction—toward protectionism. In the Uruguay Round, the member nations should talk so that the free trade system is maintained in a fair manner. Even negotiations on agricultural problems should be carried out through multinational talks. Insisting that Japan-U.S. bilateral talks be held immediately does not make sense.

[NIHON KEIZAI] It appears that Japan will be urged to open its rice market in the talks.

[Muto] If Japan stands alone in its position, it will become isolated. I think that we should bring Europe, whose stand is similar to ours, to our side. Japan is probably the only country that has made its land completely available to farmers. Consequently, people who had not owned farmland before came to own farmland. It does not make sense to turn this land back into large-scale farms just because the land divided up in the course of giving them out to farmers is now not cost efficient in production. It is the United States that has been laggard in democratizing (dividing up) farmland.

[NIHON KEIZAI] I would like to hear about your policies on nuclear power.

[Muto] I do not think nuclear power in itself is wrong. We will continue to make the most of nuclear energy while speeding up efforts to develop alternatve energy sources. Accidents in nuclear power stations are due to problems in controlling operations. On the other hand, I think that we should continue to reduce the use of coal which is very costly. We must think about the safety of those people who work in coal mines. If we can find alternate industries for coal mining areas or find jobs for the people there, I don't think that there will be any need to maintain the present production level of 10 million tons a year.

Officials on MITI Statement on Retail Stores

OW0903153690 Tokyo THE DAILY YOMIURI in English 8 Mar 90 p 8—FOR OFFICIAL USE ONLY

[Text] Nobuo Matsunaga, former ambassador to the United States, stressed Tuesday that Japan will eventually have to allow rice imports. In a speech he delivered at a Tokyo hotel Tuesday, Matsunaga said that although there is nothing wrong in Japan's asserting that its food supply security will be endangered if food imports are further increased, Japan needs to consider the international circumstances before making such a claim.

"We need to maintain a long-term policy of further promoting the liberalization of our market and the free trade principle," Matsunaga said.

He also stressed the necessity for rice growers to make more efforts to improve production efficiency and thus raise their international competitiveness. As long as they are not making the necessary efforts, he said, it will be meaningless for the government to support their position against rice imports forever.

Japanese rice growers have earlier asserted that rice has a special significance for the average Japanese since it is deep rooted in the nation's culture, tradition, history and economy. Conceding that there is some basis to such claims, Matsunaga predicted that there would be difficulty in completely liberalizing rice imports. However, he did not rule out the possibility of allowing imports under certain conditions.

Meanwhile, some government officials were upset Wednesday by International Trade and Industry Minister Kabun Muto's remark that Japan may abolish the large-scale retail stores law.

A senior MITI official said that small shop owners, dismayed by the remark, may refuse to cooperate even if the government eases the law.

However, some consumer group members welcomed Muto's remarks, saying that Japan must make some "political decisions" to settle the dispute with the United States on this issue.

National Affairs

YOMIURI Views Issue of Declining Yen

OW0803155490 Tokyo THE DAILY YOMIURI in English 7 Mar 90 p 6—FOR OFFICIAL USE ONLY

[YOMIURI SHIMBUN 6 March editorial: "The Declining Yen"]

[Text] Although Prime Minister Toshiki Kaifu and U.S. President George Bush agreed at their summit talks to

continue cooperative intervention in foreign exchange markets, the yen appears to be continuing its downward trend.

On Monday, it briefly topped the Y150 level. It had been thought that the dollar would not go beyond this level for the present. However, overseas traders in foreign exchange markets are predicting the dollar will rise to the Y160 or even Y170 level. Also, central bank intervention has not been effective in braking the yen's descent, suggesting its weakness will continue.

Since the February general election, a triple depreciation of yen, stock prices and bonds has been underway. The three markets are locked into a vicious circle with each influencing the others.

As the new economic and political orders take shape, the dollar and West German mark are eagerly sought, but the yen is losing its popularity. After the superpower detente, U.S. national power is regaining world attention, and there are expectations that a united Germany will become Europe's most powerful nation.

Trade Surplus

However, there seems nothing new to stimulate yen purchases. Another important factor is Japan's shrinking trade surplus. The current account balance recorded a deficit in January, due to such structural changes as corporate direct investments overseas, expanded imports and a huge deficit in the international travel balance.

Also, undermining the yen is the growing trade friction between the United States and Japan. Economic observers believe it will take a long time to narrow the trade imbalance with the United States. Depending on the outcome of the Structural Impediments Initiative talks, the United States may adopt controlled trade with Japan to reduce the imbalance.

Although prices and the economic growth rate in Japan are stable compared to West Germany and the United States, people keep selling yen on the belief the capital flow direction is changing. Both the Bank of Japan and the government are concerned because the depreciation of the yen raises pries on imported goods and raw materials.

Threat To Economy

The government's economic forecast is based on the assumption the yen will fluctuate around Y142 to the dollar next fiscal year. To promote structural changes and prevent inflation, the Bank of Japan would like an even stronger yen. Therefore, a depreciating yen could harm Japan's economy.

The Bank of Japan is currently pondering another raise in the official discount rate, while West Germany, where money supplies have increased to support East Germany, is also considering a similar move to dampen inflation. Meanwhile, the United States is contemplating relaxing its monetary policy to stimulate business.

We hope the advanced economic nations will produce jointly effective policies to prevent the turmoil on currency markets from becoming too serious. At the same time, the Japanese Government should make utmost efforts to overcome economic friction with the United States, so this will not become another factor encouraging yen-selling.

We also urge Japanese industries and business to refrain from increasing retail prices of manufactured products to offset rising costs of imported raw materials.

MITI Minister Views Future Economic Plans

OW0603142490 Tokyo SANKEI SHIMBUN in Japanese 3 Mar 90 Morning Edition p 3—FOR OFFICIAL USE ONLY

[From "Asking Without Reservation" column: Summary of interview with Kabun Muto, minister of international trade and industry (MITI); date, place not given]

[Text] [SANKEI SHIMBUN] What do you think of the method of carrying out the Japan-U.S. Structural Impediments Initiative [SII] talks?

[Muto] This is a consultation started to mutually promote the structures. However, it seems that assertions on both sides are still at cross-purposes. Not only Japan, but also the United States, must improve what it has to amend. We shall listen to the U.S. side. At the same time, we want the U.S. side to understand us. It is also necessary to find out points of compromise.

[SANKEI] What are your concrete plans for the Large Retail Store Law, which was discussed at the SII talks?

[Muto] I would like to improve the method of application as soon as possible. Regarding relaxation of applications of municipalities' own regulations, (including additional regulations introduced by local governments), I shall explain to the home affairs minister myself and try to gain his understanding.

[SANKEI] Do you have any plans to improve exclusive trading practices of affiliated enterprises?

[Muto] They are products of long business practices in Japan. Not all of them are bad. We also have to eliminate wasteful practices in the distribution system, if there are any. We have to promote rationalization of business circles as well. On the other hand, it is another problem whether or not American enterprises can make inroads [into the Japanese market] after Japan improves these matters. I think Americans should speak Japanese if they want to do business in Japan, and they should also make further efforts in such areas as market research, for example.

[SANKEI] What are the necessary measures for Japan and the United States to make mutual concessions?

[Muto] We should promote parliamentarians' diplomacy as Toshio Yamaguchi, chairman of Special Committee on Economic Affairs of the Liberal Democratic Party, advocates. In many cases, American Congressmen are not aware of the actual situation in Japan. It is necessary for us to make them understand us. Positive persuasion is also effective.

[SANKEI] The democratization movement is progressing in East Europe. Can you comment on relaxation of the regulations of the Coordinating Committee on Multilateral Export Controls?

[Muto] Of course, they shold be relaxed in future, once the direction of the democratization movement in each nation becomes certain. Moreover, when you think about national interests, it is necessary for the time being to prudently deal with the possibility of removing the sanctions against China.

[SANKEI] The stock and foreign exchange markets are currently unstable. What are your future economic plans?

[Muto] It is almost time that the active capital investment made so far comes to a halt. It will become the cause of excessive competition and friction with foreign nations should productivity continue to increase at its current pace. Anticipation of a high interest rate in the coming months will not produce a positive effect on the markets either.

Paper Interviews Finance Minister Hashimoto

OW0403151590 Tokyo THE JAPAN TIMES in English 3 Mar 90 p 3—FOR OFFICIAL USE ONLY

["Cabinet Interview" column by staff writer Shinjito: "Finance Minister Turns Down American Spending Request"]

[Text] Although Japan cannot accept the U.S. request to raise public works spending to 10 percent of its gross national product, it will identify some other American proposals that are plausible by the end of this month, according to Finance Minister Ryutaro Hashimoto.

Hashimoto, reappointed to that post Wednesday, said the 10 percent proposal is impractical, because the size of the public works for each year should be determined by how much stimulation the country's economy needs at a given time.

"We would naturally want to increase such expenditures to improve the standard of living, regardless of whether a foreign government tells us to do so or not. Public investment policies are key tools for managing the economy," he said in an interview with THE JAPAN TIMES.

"We must not lose flexibility. If spending is fixed (at 10 percent), we would be helpless if we had to put the brakes on an overheating economy."

During last week's Japanese-U.S. talks to reduce structural impediments to trade, the U.S. proposed that Japan boost the size of public works expenditures to 10 percent of the GNP within five years. The current figure is roughly at 7 percent. The increase theoretically would help increase Japan's purchase of foreign goods and services.

The U.S. delegation made "more than 100 proposals" during the two-day talks, according to Hashimoto. "They were a mixture of poor ones and potentially excellent ones. We will identify the good ones by the end of the month," he said. He declined to name any of them, saying it is improper to discuss them before the bilateral negotiations are over.

Hashimoto said the Bank of Japan is not expected to raise its official discount rate any time soon. He complained that an offhand remark he made Wednesday, that he will "discuss the issue if the BOJ brings it up," was misread by the press and market watchers to imply an impending rate increase and thus caused a new slump in the bond market.

"Of course the rate will not go up. I only meant that I would not repeat what happened last December," he said, referring to his temporary refusal to discuss a rate increase with central banker Yasushi Mieno, which triggered disruption in the market.

Asked if the current turbulence in the foreign exchange, stock and bond markets will continue, Hashimoto expects the markets to return to their former state in due time, since "there is nothing wrong with the Japanese economy itself." He said his new priority is reform of the land tax system as a way to check high housing costs in big cities.

"In Tokyo, an average hard-working salaryman can no longer afford a house in his lifetime. I will ask a commission to come up with reform plans" by autumn, he said. Meanwhile, the current administrative guidance banning bank loans for speculative land dealings will remain in force, he said.

The Finance Ministry's revision plan of the consumption tax in December is "the best one for now," and it does not intend to make any further modifications, he said. The plan, based on a decision by the ruling Liberal-Democratic Party, will make food items tax-exempt at the retail level and halve the tax rate at production and distribution levels. Revision bills are expected to be sent to the Diet some time this year.

Among other topics, Hashimoto said he will not authorize the issue of new high-amount bills or redenominate the yen. "The public does not want them," he said.

Editorial Views 'Fragile' Government Finances

OW0603182490 Tokyo THE DAILY YOMIURI in English 5 Mar 90 p 6—FOR OFFICIAL USE ONLY

[4 March editorial: "Reducing Government Bonds"]

[Text] In the fiscal 1990 budget, issuance of deficit-covering government bonds has been reduced to zero for the first time in 15 years. However, this does not mean

that the finances of the Japanese Government are now stronger. They remain, in fact, fragile.

Oustanding government bonds (the national debt) will total Y164 trillion, including Y64 trillion in deficit-covering bonds, when fiscal 1990 ends in March 1991. As a result, debt servicing, which includes interest and principal payments, amounts to Y14 trillion in the fiscal 1990 budget. Of this, over Y11 trillion is for interest payments alone.

National debt expenses account for more than 20 percent of the entire budget, and interest payments about 17 percent. These percentages are the highest among the five major developed nations.

Taking these constraints into consideration, we applaud the second-stage target in ongoing financial reforms as announced by the Fiscal System Council, an advisory body to the finance minister.

Council Proposals

To improve the government's financial situation, the national debt must be reduced. The government should not sell any more bonds, but should slash the number outstanding.

To this end, the council made two concrete proposals:

—New issues of government bonds to finance construction projects will be restrained to lower the percentage of bond sales in total revenue from the current 8 percent-9 percent to less than 5 percent within five years.
—The government will redeem deficit-financing bonds as soon as possible.

Some believe that any natural increase in tax revenues that accrues to the government should be used to cut taxes. However, considering the current fiscal circumstances and the anticipated cost of increased social welfare programs, it would be better to use this money to redeem deficit-financing bonds.

To curb the issuance of national bonds, the council proposed that public investment projects be partially paid for with tax revenues. Using taxes to pay for these projects should restrain the issuance of more bonds which, to the public, are a seemingly painless, invisible form of financing.

Protecting Future Generations

In the fiscal 1971 budget, the government succeeded in keeping national bonds at around 30 percent of financing needed for public investments. Restraints of this type are absolutely essential. The government should independently tackle development of national infrastructure, while effectively utilizing the power of private financing and effective budgeting.

The construction bonds and national deficit bonds are both supposed to be paid off in 60 years. At the present 5 percent interest rate, a deficit bond of Y1 trillion will require a repayment of Y2.8 trillion by the end of the 60-year period.

This debt repayment must be paid back with tax money. We can be sure that our children, grandchildren and future generations will initially be forced to assume a higher tax burden (ratio of taxes and social insurance payments to national income). Slapping debt repayment on top of that heavy tax burden will cause people to lose the will to work. Of course, the increase in tax burdens on future generations cannot be held back at all unless certain measures are taken, such as raising the starting age for old-age pensions and rationalization of medical expenses.

* Control of Money Laundering Needed

902B0079 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Feb 90 p 3—FOR OFFICIAL USE ONLY

[Text] Waves of drug pollution are reaching Japan. According to the "Report of Drug Smuggling" compiled by the Finance Ministry this year, the amount of uncovered and confiscated smuggled heroin and cocaine suddenly shot up in 1989, reaching the a record high. Japan is currently racking its brains to prevent not only the pollution caused by drugs but also the money laundering of illegal incomes earned from drug deals (laundering of funds = making illegal funds look legitimate by passing them through financial institutions). Let us mainly look into the future of the drug problems from the aspect of money.

Confiscated smuggled heroin for the year 1989 amounted to 25kg, an increase of 36 percent compared to the previous year. The amount of uncovered cocaine was 13.5kg, 80 times more than the previous year. Very remarkably, large-scale cocaine smuggling (12.1kg) by the Columbian international drug organization "Medellin cartel" was uncovered. The Finance Ministry is on guard: "As a result of the tightened drug control in the United States by the Bush administration Japan is now targeted as a new market. It seems that stepped-up drug control elsewhere in the world will have a far-reaching effect even to the shores of Japan."

In view of this, the government is planning to expand its efforts in various types of control to prevent an invasion of drugs. The Maritime Safety Agency is intensifying on-site inspections of the ships entering ports from Korea and Taiwan, as well as watching areas on the open sea where drug transactions might be likely to take place. The Finance Ministry which is in charge of the customs houses is scheduled to concentrate customs officers heavily in the field of drug control duties beginning in the next fiscal year in order to expand and consolidate the inspection of commercial freight.

However, the view is spreading inside the government that mere strengthening of inspections and closer observation of areas for possible drug transactions have limits. What drives gangsters and others to drug smuggling, more than anything else, is the fantastic profit which can

be earned from it. For this reason, a regulatory dragnet must cover not only the illicit drugs but also the money derived from their sale if drug trafficking is to be eliminated.

Capital obtained from drug deals is, in many cases, "laundered" by means of transferring it from account to account in financial institutions so that the National Tax Administration Office will not be able to sniff it out.

Major European states and America have already established a law to prevent such money laundering whereas Japan does not yet have any legislation in this area. As a complement to financial internationalization and liberalization, money travels around the world transcending national boundaries. Japan's slowness in grappling with legislation, may invite the criticism: "Japan's financial institutions are to be blamed for the lack of regulation of drug capital."

With this criticism in mind, the government forged a plan to establish, as early as 1991, a law for prevention of drug capital laundering (provisional title). No official estimate is available concerning the amount of money-laundered funds. However, one educated guess is that the U.S. domestic drug related money laundering is an $80-150 billion business. Against the backdrop of Japan's rising international status, laundering cases that pass through the hands of Japanese financial institutions seem to increase year after year.

The new law is considering the putting of securities, life insurance, post office savings in addition to banking under regulatory control. In addition the bill will require identification of suspected dealers and a report to the Ministry of Finance concerning suspicious cash transactions.

Once the money laundering prevention law is established, capital control will be added to distribution control, contributing to a vast improvement in keeping drugs out of Japan. "Consistent and convincing public education and communication are essential to prevent drug abuse," (Ministry of Health and Welfare) will continue to be a first line of defense. However, an understanding of the economic perspective plays an increasingly important role in the prevention of crime.

* Forum Predicts Economic Conditions for FY90

9020076A Tokyo NIHON KEIZAI SHIMBUN in Japanese 6 Jan 90 p 3—FOR OFFICIAL USE ONLY

[Forum conducted by NIHON KEIZAI SHIMBUN and Japan Economic Research Center: "A Growth Rate of 2-5 Percent in FY90: Prices the Key to Continued Prosperity"]

[Text] On 5 January at Iino Hall in Uchisaiwai-cho, Tokyo, NIHON KEIZAI SHIMBUN and the Japan Economic Research Center jointly held a new year's forum addressed to economic conditions. The four participants were Mr. Naoki Tanaka, economic critic; Mr. Masaaki Nakao, director of the Research and Statistics Bureau, the Bank of Japan (Nihon Ginko); Mr. Shinyasu Hoshino, permanent vice minister of the Economic Planning Agency; and Mr. Hisao Kanamori, president of Japan Economic Research Center. Acting as moderator was Keiji Samejima, executive managing director of NIHON KEIZAI SHIMBUN and director of the Tokyo Editorial Bureau. The topics ranged from the stability of the widening prosperity, the direction of the U.S. economy, the trend of the yen exchange rate, as well as other subjects.

The FY90 economic growth rate forecast by Mr. Kanamori was a possible high of 5 percent based on the strength of steadily continuing investment in facilities and equipment on the part of the private sector, as well as the recovery in personal consumption. Others subscribed to a figure of 4-5 percent. The participants also agreed that the key to continued prosperity lay in the movement of prices. Mr. Nakao expressed a fear that consumer prices might inch up toward the latter half of the fiscal year. Mr. Hoshino's view on the coming spring labor disputes was to the effect that "it would be desirable if both labor and employers would try to prolong the prosperity," an indication of his wariness that a drastic rise in wages would result in higher prices.

As for the U.S. economy, Mr. Tanaka supported the theory of the soft landing: "Even if the U.S. economy slows down, it can be managed by increasing the monetary supply, since the high value of the dollar is acting to cool off prices." Mr. Nakao pointed out that were the soft landing be realized, "there would be no need for Japan to adopt a policy of a one-sided financial tightening."

While Messrs. Nakao, Hoshino, and Kanamori clearly indicated their expectations of a higher yen, Mr. Tanaka expressed worry about a cheaper yen, stating that "the rise in the official interest rate has hardly influenced the yen market. If the yen goes drastically down this year as it has in the last year, the situation might become difficult to manage."

(The following gives the gist of statements by each participant.)

[Moderator] How do you evaluate the present state of economic conditions?

Tanaka: As long as prices do not rise sharply, there will be no danger for some time that economic conditions will worsen.

Nakao: Raises of the official rate in 3 steps have worked to prevent acceleration of prices and maintain improvement in economic conditions. While the rate of growth will decrease slowly, there will be no danger of a recession.

Kanamori: The present boom (which is into its 38th month) certainly will exceed the Iwato boom (that [started in 1959 and] lasted for 42 months.)

Hoshino: Under the system of international cooperation in effect since the Plaza agreement, Japan needs to maintain economic growth as long as possible.

[Moderator] Prices are still stable, but land prices have risen drastically.

Nakao: An increase in land prices leads to a lower value of the currency. Higher land prices were the by-product of an expanding domestic economy, although financial policy might also have had something to do with it. Rises in land prices need watching as well for the influence they exert on prices for services rendered such as rents.

Tanaka: Rises in the official rate have worked to calm down speculative land acquisition. The problem was that little effect could be seen on the market value of the yen.

[Moderator] What is the trend regarding investment in facilities and equipment?

Kanamori: Increases by two digits will continue in the new fiscal year. Notable here is a drastic increase in building activity. The manpower shortage has the effect of carrying over this demand into the future.

Hoshino: The present pace of increase is a little too rapid. It is necessary to make some adjustments in order to maintain prosperity.

[Moderator] Does there not exist a danger of over-building?

Nakao: Over-building is scarcely the danger, for investments are more in the area of research and development as well as in the rationalization of management rather than in the enhancement of production.

[Moderator] What are your opinions regarding personal consumption and the spring labor disputes?

Kanamori: The rate of wage increases in FY90 will be 5.6-5.7 percent, higher than last year's. As there is no special factor to be introduced this year such as the consumption tax, a rise in wages directly leads to an increase in purchasing power. Therefore, an increase of approximately 5 percent in net consumption can be expected.

Hoshino: Wise labor-management negotiations are desirable from the point of view of prolonging prosperity.

Tanaka: Judging by the trend in profits enterprises are making, labor's share could be greater than it is now. Higher wages per hour do not lead to inflation attributable to pushed up wages.

Nakao: While the rate of distribution to labor has trended to be lower, business profits remain at a high level. Therefore, pressure from this year's spring labor disputes is expected to be strong; the effects of this pressure will be worthy of note.

[Moderator] What direction would a U.S.-Japanese economic conflict take and what will be the direction of the U.S. economy?

Tanaka: It is true that there exists in the United States opinion, citing numerical figures, that demands correction of the trade imbalance. The view was expressed by the United States at the Structural Impediments Initiative [SII] conference that Japan must open up its market so as to create a structure acceptable to international society.

Nakao: The rate of inflation in the United States is still high so that it is difficult to move at once toward financial relaxation. When the U.S. economy makes a soft-landing that tames inflation and cools off the economy, Japan will not need to resort to a one-sided tightening in response to a cheaper yen.

[Moderator] What will be the net growth of the Japanese economy in FY90 and in the yen market?

Kanamori: A growth rate of 5 percent unaccompanied by inflation will continue. The present market level of the yen is too low.

Hoshino. The growth rate will be at a cruising velocity of 4 percent as predicted by the government. As to the market price of the yen, I hope it will move higher along the lines of fundamental conditions in the economy.

Nakao: The figure of 4.4 percent, the average private survey organizations have arrived at, is adequate. Economic conditions will slow down somewhat in the latter half of the year while there is the danger of consumer prices gradually going up. It is desirable to have the market price of the yen go up in order to suppress increases in the foreign trade surplus.

Tanaka: It does not matter whether it is 4 or 4.5 percent. The market price of the yen was not determined last year solely on the basis of financial policy. The climate of international politics resulted in the cheaper yen; there is no guarantee that the same will not be the case this year as well. If the yen moves sharply lower, it will be a difficult task to formulate a policy to manage the situation.

* Economy Faces Era of Declining Population

902A0093A Tokyo NIHON KEIZAI SHIMBUN in Japanese 9, 10, 11 Feb 90—FOR OFFICIAL USE ONLY

[9 Feb 90 p 5]

[Text] **Great Demand for Workers at Y450,000**

The impact of a people shortage is spreading throughout the Japanese economy, dragging down production and triggering inflation. It is the first labor shortage in 16 years since the eve of the first oil crisis when business reached an overheating peak. This time around, it involves a structural factor of age composition in that

young workers are also in short supply. We delved into the realities of the people shortage, including corporate measures to overcome the changes in the employment situation.

Jobseekers With Easy Standards

The location is the first basement floor of a building a minute's walk from the JR [Japan Railways] Shinjuku Station. The Nissan Motor Company uses a room here as a recruitment office for limited term (temporary) employees. There are desks and chairs, and a small sign that says: "Nissan Motor Company." In this room, two recruiting clerks sit every day from 1000 to 1730 waiting for applicants.

At Nissan, full operations have continued for more than two months, from reception of orders to deliveries. Although they are extremely busy and shorthanded, one-fifth or 700 of the current capacity of 3,500 temporary employees quit every month. Among them are many that move on to other workplaces in midstream, lured by better conditions. Therefore, 40 to 45 recruitment offices for temporary employees have been established throughout Japan to fill the gap. The Shinjuku office has a "high efficiency rate" with an average of about 10 new employees hired daily.

A young man enters, saying: "I would like a job as a temporary employee."
"How long are you willing to work for us?"
"Six months."
"What plant do you prefer?"
"The Oihama plant (Kanagawa Prefecture), because I have friends near there."

Workers are hired in such a manner.

Years ago, temporary employees at Nissan were largely emigrant workers from other provinces with an average age in the forties. Today, the average age is about 27 years. The reason is the appearance of "free part-timers," who do not seek steady employment after graduation, but make their living doing "part-time" work.

They also form the "advance guard" of a fluid labor market. According to the Labor Ministry, 1.33 million workers changed their workplaces during January-June 1989. The ratio of job transferers to total workers was 4.6 percent. The movement among the younger generation was especially conspicuous with 7.8 percent in their early twenties, 6.1 percent in the late twenties and 5.4 percent 19 years old and below.

Age Limit Also Eased

The monthly wages of temporary employees in the auto manufacturing firms range from Y400,000 to Y450,000. Some young workers say: "It is easier and faster than seeking ordinary employment."

Nonetheless, in November of last year, most auto companies raised the pay level for temporary employees. After one company changed its pay scale, the others followed suit.

With the employment of youth workers not turning out as expected, there is also a movement to hire middle-aged and senior workers. In November of last year, Isuzu Motors raised the age limit of temporary employees from 47 to 50 years. Especially during the period from last yearend to January this year when workers were difficult to secure, it raised the age limit to 53 years.

Recruitment of Workers Desiring Transfers

In the construction industry, many large projects are going on in the metropolitan area. In the case of the Makuhari-(Messe) project, "skilled workers are no longer available in Tokyo, so workers were recruited from Hiroshima. Including application processing costs, their pay ranges from Y40,000 to Y45,000 per day," (National Federation of Construction Worker's Unions).

The transportation industry also suffers from driver shortage in view of the sharp expansion in transportation volume. The shortage is particularly acute in the capital area. Beginning in January this year, the Yamato Transport Company began to recruit applications desiring job transfers, mainly from the outlying local communities, to work for two or three years in the capital area.

In recruiting job transferers for the capital area, municipal allowances and living allowances must be provided, resulting in personnel costs that are 40 to 50 percent higher than the local community employment costs. Nonetheless, it canot be helped when workers are in shortage.

In the taxi industry, there are taxis, but no drivers. According to the Tokyo Passenger Cars Association, the "operating rate" showing the ratio of operating taxi's to total vehicles dropped from 96 percent in 1987 to about 92 percent in 1989.

With the intention of inducing drivers to switch, "personnel agents from various companies gather at the driving test center where drivers come to renew their licenses" (a major metropolitan taxi company). The taxi industry has begun to study shorter daytime working hours and a part-time system using women and students as drivers.

Major taxi companies in metropolitan Tokyo have given up hiring drivers in Tokyo, and are extending their search to Saitama and Chiba Prefectures, and even to other rural areas. The recent trend is the spread of the labor shortage from the urban areas to the rural communities.

Statistical Data

The effective help-wanted rate in 1989 was 1.25-fold, rising 0.2 points from the year before. It is the highest level in 16 years since the 1.76-fold level in 1973.

Compared to the 0.62-fold in 1986 during the high-yen recession, a sharp recovery is seen.

New recruitment (except part-time workers) in 1989 increased 10.5 percent from the previous year. Classified by industries, major increases included the service industry with the severest labor shortage (15.8 percent), the manufacturing industry (11.6 percent) and the transportation and telecommunications industry (11.4 percent). In the manufacturing industry, transport machinery and instruments centering on the auto industry showed a marked growth rate of 24.1 percent. However, it is still low compared with 1973 when the manufacturing industry rose 43.7 percent over the previous year, and the transportation and telecommunications industry increased 42.7 percent. It is possible to see room for further growth in the search for new workers.

[10 Feb 90 p 4]

[Text] **Villages Shocked by Transfers, Create Roadblocks**

On 26 January, a ceremony was held to celebrate the building completion of the Tamagawa plant of the Toyo Sash Company in Tamagawa village, which is contiguous to Sakagawa City, Fukushima Prefecture. It was attended by the director of the prefectural business bureau, the village mayor and other notables. At the celebration that was expected to be a joyous event, President Kenjiro Shioda stated with a grave face: "We want to increase our temporary employees from the present 200 to 400 as soon as possible, but the chances are slim in view of the current people shortage."

Forty Percent of Plans Go Awry

The Toyo Sash Company is planning to move its production bases, one-by-one, to the vicinity of Sakagawa City. Not only is an interchange of the Tohoku Auto Highway nearby taken into consideration, but also the convenience of the Fukushima Airport scheduled to open in the area in the spring of 1993. In addition to the Tamagawa plant, it is planned to construct a plant with 1,000 employees three years from now, and a site has been secured in an industrial park in southern Sakagawa that is now under preparation.

However, the plans now face difficulties due to a sudden shortage of workers in and around Sakagawa.

In early 1987, the employment rate in the region fell, and it was designated by the national government as a distressed area requiring development assistance. Therefore, the prefectural authorities and local economic circles began desperate efforts to lure outside businesses there. Aided by a business recovery, they succeeded in persuading about 70 outside companies to express interest in moving there, but almost immediately a worker shortage occurred.

According to a survey in November of last year by the Sakagawa public employment office on the incoming companies, about three-fourths suffered from an employee shortage, and about 40 percent responded that they were unable to implement their plans to move for that reason.

Self-Discipline Urged on Recruitment

The well-known Toyo Sash Company moved in under such circumstances. Prior to the start of operations at the new plant, a number of employees at companies belonging to the Tamamura village commerce and industry association transferred to Toyo Sash. Fifteen employees of the association member companies transferred to the new plant. At one sewing plant, five of the 30 employees quit together, disrupting plant operations. The association officers visited the new plant in December of last year, and requested self-discipline concerning recruitment.

Fukushima Prefectural authorities regard the situation as serious. The labor administration division of the Koriyama commerce and industry labor affairs office has commenced an investigation into labor shortage conditions in the small and medium enterprises. The prefectural employment division is also undergoing self-examination and states: "We must be careful about luring companies into such labor intensive industries as the light electrical appliance and sewing industries."

Toyo Sash has decided to build dormitories for the 1,000 employees at its new plant that is scheduled for construction, and to recruit workers from throughout Japan.

Differentials by Regions and Business Categories

Even in areas where improvement of hiring conditions is lagging, the labor demand-and-supply situation is becoming more stringent. It is said that a sense of urgency arises when the effective help-wanted rate exceeds 0.8-fold. There were six prefectures—Hokkaido, Aomori, Kochi, Fukuoka, Kagoshima and Okinawa—that dropped below the 0.8-fold level in 1989, which is a major drop from 16 prefectures in the previous year. "People who formerly emigrated for work can now find employment in their own local communities," (special employment measures division of the Labor Ministry).

The prefecture with the highest help-wanted rate nationwide was Tochigi Prefecture with 2.43-fold. It has taken the lead in securing manpower. Beginning in FY90, it will assign a "resident agent to promote recruitment" in Tokyo. In other words, he is a "reverse inroad" type of recruiter who will look for people in Tokyo to work for companies in Tochigi Prefecture.

Meanwhile, unemployed persons continue to exist in some regions. In Hokkaido and Kyushu, there is a strong sense of local attachment, and people are reported to be extremely adverse to searching for employment in other regions. The Nissan Motor Company sought to hire 1,090 employees of the Hokutan-Horonai Coal Mining Company of Hokkaido, which shut down in September of last year, as key production personnel for its plant. However, it failed to employ even a single worker.

Only 253 workers released by Hokutan Mining, or less than one-fourth of the total, were employed by 15 January, and only 48 of them were hired outside of Hokkaido.

It was the same in the case of about 1,000 employees of the National Railways settlement agency in Hokkaido. In the last recruitment drive by the JR [Japan Railways], there were only 51 applicants, whereas those desiring employment in local public agencies rose to 888 applicants, or eight times the number of jobs available.

According to a survey by the Labor Ministry, of 3.75 million persons employed in outside regions in 1988, about 70 percent was comprised of young people under 30 years of age. The middle-aged and elderly generation proved to lack mobility. This was a chief factor for the "mismatch," wherein an extreme labor excess or shortage appears according to regions and business categories.

Statistical Data

The average number of workers employed in 1989 was 61.28 million, or an increase of 1.17 million over the previous year. It represents a major rise for the first time in 34 years since 1955. Classified by regions, southern Kanto showed a growth of 420,000, underscoring a continuing concentration of labor in the national capital area. The Kinki region (up 220,000), the Tokai region(up 140,000) and the northern Kanto and Koshu-Shin-Etsu region (up 100,000) all showed rises.

In the outlying regions—for example, in Kyushu with numerous manufacturing industries—favorable business is reflected in the increased hiring of 120,000 workers. However, a look at unemployment shows both Hokkaido and Kyushu with a three-percent rate, which far exceeds the national average of 2.3 percent. There is thus much remaining leeway.

[11 Feb 90 p 3]

[Text] **Small and Medium Businesses Face Shutdowns and Mergers**

On 1 February, a small factory in downtown Ebara in Shinagawa Ward, Tokyo, disappeared. The reason was its move to the town of Ichinomiya near Kofu City, Yamanashi Prefecture.

Busy Seeking People Contacts

Company A, which makes special casts of metal, began operations in Ebara in 1947, soon after the war ended. What caused the company to leave was a hopeless labor shortage. Despite pleas for assistance to employment agencies and acquaintances, it could not hire a single graduate from the local industrial high school during the past three years. It could not even hire temporary workers, and found itself busy everyday seeking not funds, but "people contacts" in order to maintain 30 employees necessary for minimum operations.

The work requires several years of training before one could become a full-fledged worker. If the difficulty of acquiring young workers continues, it will become impossible to carry on the technology that was cultivated over many years. The president finally decided to move the factory to the rural area.

Sixteen employees moved to the town of Ichinomiya where a new factory was built. Virtually all of them moved by themselves, leaving their families behind. Ten employees resigned because they did not want to leave Tokyo.

In accordance with the company's purpose, it succeeded in hiring eight students graduating from the local industrial high school this spring.

However, the prospects are not all bright. The personnel officer of Company A states anxiously: "It is fine now, but if the town should also be hit with a labor shortage, we will not know what to do. In that case, our only hope to stay alive is to move our production base overseas."

According to the Ebara factory asociation in Shinagawa Ward, the association lost 10 percent of its member manufacturing companies, or about 20 companies, during the past three years. Examples are a maker of motor-operated tool parts that moved to Furukawa City in Ibaraki Prefecture, a camera parts manufacturer that quit and is building an apartment building on the site, and an auto parts producer that moved to Indonesia.

Managing director Zojiro Morimura of the Ebara factory association says: "Many foreign students and Vietnamese refugees are being hired here. Their wages are no different from pay for Japanese. They tend to change jobs if the wages are just a bit higher elsewhere. The days when foreigners could be hired at low pay are gone forever."

Production at Rural Factories

Some enterpreneurs complain about the difficulty of recruitment, saying: "Because part-time pay for housewives has gone up, we had a hard time toward the end of last year when people with income near the nontaxable limit (Y1 million) stopped coming to us."

Along the industrial road in Ota Ward, Tokyo, where similar rows of small-and-medium factories stand, there has been a recent rise in demand for parcel delivery service. The reason is that "trial-manufactured products" made in Tokyo are being shipped to factories that moved to rural areas. There is an increasing trend of leaving only the trial-manufacturing facilities in Tokyo, and carrying on production in the rural factories. In order to ship trial-manufactured products to the rural plants, the parcel delivery service is the most economical, and delivery is made the following day.

There have also been cases of small-and-medium businesses being forced to merge due to the labor shortage. Nisshin of Osaka City, a trading firm dealing in tea-room

materials, and Crown Coffee, a firm in the roasting business, have decided to merge as of 1 March. Both companies are suffering from a labor shortage, and have decided to merge with the expectation of saving energy by integrating their business offices and concentrating their roasting plants.

Tokyo Commercial and Industrial Research, a private research organization, pointed out that, in 1989, bankruptcies due to labor shortages burgeoned to 242 cases or more than four-fold during the past year.

Speaking of labor bankruptcies, labor struggles were representative cases years ago, but the principal factors today are: difficulty in finding successors, lack of skilled labor and skyrocketing personnel costs.

Professor Tadao Kiyonari of Hosei University describes the current labor shortage as "a historical turning-point for small-and-medium businesses." Favorable business conditions, which rescued small-and-enterprises from a fate of extinction, due to the economic structural adjustments after the high-yen recession, have now brought a new threat of labor shortage.

Time To Reexamine Labor Conditions

The current labor shortage is not of a temporary phenomenon. There will be a continual decline in young workers with 1995 as the peak. The Labor Ministry predicts that the annual average growth rate of the labor population during the next 20 years will be 0.2 percent, which is about one-fifth compared to the past 15 years (1.1 percent). The Japanese economy will plunge into an era of chronic labor shortage.

Professor Kiyonari points out: "From now on, only small-and-medium enterprises with high productivity can survive. The small-and-medium businesses with low productivity, and marked gaps between large enterprises, that do not attempt to reexamine their labor conditions can no longer survive in Japan." It is a severe warning to the enterpreneurs.

Statistical Data

According to statistics provided by the Welfare Ministry's Institute of Populations Problems, the 15 to 64-year-old production population will reach a peak of 87.17 million workers in 1995. It will subsequently begin to decline, dropping to 86.26 million in the year 2000, to 83.42 million in 2010, and to 81.1 million in 2020.

In comparison, the ratio of the population 65 years of age and above to the total national population will rise to 16.3 percent in the year 2000, from 11.9 percent in 1990 to 20 percent in 2010, and to 23.6 percent or about one-fourth of the total population by 2020. The Labor Ministry predicts that, of the 4.85 million labor population growth between 1986 and 2000, 3.8 million or more than three-fourths will be seniors of 55 years and above.

Editorial Calls on Diet for Debates on Politics

OW0303195190 Tokyo MAINICHI DAILY NEWS in English 1 Mar 90 p 2—FOR OFFICIAL USE ONLY

[Editorial: "For Better Parliamentary Politics"]

[Text] An extraordinary session of the national Diet has now been convoked following the general election. With Toshiki Kaifu chosen as the prime minister in both houses of the Diet, the second Kaifu cabinet has been formed.

The new Diet session is expected to concentrate on the fate of the consumption tax, which was the main point of controversy in the general election. In addition, there are many complex issues that have to be dealt with, including the U.S.-Japan economic friction, land and housing problems, diplomacy following the end of the cold war, and the nation's defense policy.

Under an anomalous situation in which the Liberal-Democratic Party [LDP] holds a stable majority in the House of Representatives while the opposition has more seats in the House of Councillors, both the government and opposition parties must provide the general public with responsible answers to these pending problems. The People expect this.

In order for the Diet to respond to the people's expectations, four suggestions can be made for the Diet's own reform. These should be carried out in the debates on the fiscal 1990 budget and national policies.

First of all, "politics through agreement" should be aimed at. If the LDP attempts to railroad legislation through the Diet while the opposition resists and boycotts committee meetings as in the past, the result will be an impasse on each and every issue.

Instead of strategy to protect party interests, keeping faith with the public is essential.

With regard to the consumption tax, the voting public supported both the opposition, which is seeking its elimination in the House of Councillors, and the government party, which is placing emphasis in the lower house of a "restudy." This does not mean that the consumption tax has been approved. The government and opposition parties must take time to reach a compromise. Secondly, what is desired is "politics open to the pulbic." Decisions reached in closed sessions or secret negotiations undisclosed to the public will not be tolerated.

Compromises are necessary in the operation of the Diet, but each party should clarify its policies on various issues so that a decision understandable to the general public can be reached.

Thirdly, what is needed is "politics with a broad viewpoint." If the Diet continues to emphasize domestic interests alone, Japan will be unable to cope with the big changes taking place in international politics and the world economy, and the nation will become isolated.

Careful attention should be given to international problems, such as the U.S. Japan economic friction, diplomacy in a post-cold war and disarmament period, defense policy, protection of the global environment, and aid to relieve poverty in developing countries.

Fourthly, "trustworthy politics" is most important. The negative and lukewarm atttitude shown by both the government and opposition parties toward political reform has raised the degree of public distrust in politics to a new high. This Diet session should mark the start of recovering that trust.

Beginning with introspection on the Recruit scandal, measures should be taken to bring money politics to an end.

This Diet session will be discussing the political course Japan is to adopt through the last decade of this century. The government and opposition parties bear a heavy responsibility to conduct parliamentary politics in a manner that will cope fully with the changes now taking place in the world.

Paper on Kaifu's Involvement in Recruit Scandal

OW0403144390 Tokyo THE JAPAN TIMES in English 3 Mar 90 p 3—FOR OFFICIAL USE ONLY

[Text] Michio Watanabe, a leader of the fourth-largest faction in the ruling Liberal-Democratic Party, urged Prime Minister Toshiki Kaifu on Friday to clear up allegations in a weekly magazine that Kaifu had received twice as much in donations from Recruit Co. than he had acknowledged. Earlier this week, Kaifu rejected pressure from Watanabe to include in his Cabinet a member of the Watanabe faction convicted in the Lockheed bribery scandal. Watanabe heads the faction previously run by former Prime Minister Yasuhiro Nakasone.

Watanabe, a former LDP Policy Research Affairs Council chairman, said during the recording of a TV talk show that "the LDP as a whole will get into trouble" if Kaifu fails to clear up the issue.

"If the report turns out to be true, (Kaifu) will be shown to be a liar," Watanabe warned.

Asked by reporters about Watanabe's remarks, Kaifu reiterated a denial he made Wednesday, saying the magazine's report was not true. In its March 8 issue, the magazine SHUKAN BUNSHUN says Kaifu received a total of Y26.3 million from the information conglomerate between 1983 and 1987.

Last August, when he became prime minister, Kaifu said he had received Y14.4 million from the company, all in legal donations.

Kaifu was re-elected prime minister Tuesday but hit a snag later in the day in naming a new Cabinet because of a demand from the Watanabe faction to include Takayuki Sato, who was found guilty of taking bribes in the 1976 Lockheed case.

Kaifu, hoping to maintain a clean image for his Cabinet, rejected the request, and also rejected Bunmei Ibuki, another member of the Watanabe faction, as parliamentary vice minister because of his involvement in the Recruit stock-for-favors scandal.

Column Views Tasks Confronting Kaifu

OW0603153190 Tokyo THE DAILY YOMIURI in English 5 Mar 90 p 1—FOR OFFICIAL USE ONLY

["Political Pulse" column by Raisuke Honda, YOMIURI SHIMBUN political editor: "Kaifu Confronting Two Crucial Tasks"]

[Text] Prime Minister Toshiki Kaifu, who has just inaugurated his second Cabinet, faces two crucial tasks in the coming months. One is to weather the current special Diet sessin, where a fight is shaping up over the consumption tax, and the other is to find a way to alleviate trade friction with the United States. Both tasks require the prime minister to display his leadership abilities. Kaifu, who has a weak power base in the LDP, is bound to face rough going.

Alghough he has just weathered summit talks with U.S. President George Bush, Kaifu won't have time to take a breather, as he faces interpellations by representatives of the ruling and opposition parties beginning Monday.

After the fiscal 1989 supplementary budget passes the Diet, he will be confronted with another hurdle: deliberations on the fiscal 1990 budet and more than 20 budget-related bills, including ones aimed at revising the consumption tax. It will be a high hurdle to jump because opposition parties are committed to passing their own bills to abolish the consumption tax, and are likely to disrupt Diet business unless they get their way.

There will be no maior problem in the House of Representatives beause the Liberal Democratic Party secured a solid majority in the Feb. 18 general election and it will surely vote down the opposition bills. Things will not go so well for the LDP in the upper house, but because the Constitution does not require upper house approval of the budget, it will go into effect automatically 30 days after it is passed by the lower house.

Nevertheless, other budget-related bills will still have to pass the opposition—controlled upper house before becoming law.

If the LDP and opposition parties cannot agree on a method for revising the consumption tax, it will stay the way it is, which should please some members of the Finance Ministry, who fears that such modifications as the exemption for foodstuffs could vitiate the tax. However it is obvius that if the large number of budget-related bills do not pass the Diet it will create serious problems, so LDP Secretary General Ichiro Ozawa has been making overtures to Komeito and the Democratic Socialist Party in an effort to win to effect some sort of

compromise. To Ozawa's irritation, however, Komeito, has ot responded to his attempts at a recnciliation.

To make matters worse, major LDP factions have shown little desire to cooperate with Kaifu, particularly the one led by former LDP Secreary General Shintao Abe, since Abe wants to beome prime minister as quickly as possible. If Kaifu is unable to resolve important Diet business, Abe may take advantage of the situation to push the prime minister out of office.

In fact, the Abe factior forced Kaifu to appoint Mutsuki Kato, a close Abe aide who was involved in the Recruit scandal, as LDP Policy Research Council chairman, even though Kaifu had insisted that he wanted a completely clean image for his new Cabinet. Kato will wield great influence when it comes to conducting negotiations with opposition parties over the consumption tax issue.

The faction of Michio Watanabe, previously led by former Prime Minister Yasuhiro Nakasone, is also supporting Abe. Under such circumstances, it is questionable how long Kaifu wil be able to lead the party.

LDP's Ozawa Termed 'Back-Room Power Broker'

OW0703014690 Tokyo ASAHI EVENING NEWS in English 5 Mar 90 p 6—FOR OFFICIAL USE ONLY

[Unattributed article: "Ozawa: Power Broker-cum-Political Leader"]

[Text] Political reform was the buzzword in Japan's recent elections, but the man who insiders say has emerged as the leader of the 1990s is a back-room power broker who learned his trade from disgraced former Prime Minister Kakuei Tanaka.

Ichiro Ozawa, the 47-year-old secretary-general of Japan's ruling Liberal-Democratic Party (LDP), is getting most of the credit for the conservative party's major victory last month. Prime Minister Toshiki Kaifu, meanwhile, is cast as a supporting actor in an election drama the press is explaining as the outcome of power politics in the factious ruling party.

The conventional wisdom is that while Kaifu's clean, youthful image helped muster popular support for the scandal-tainted LDP, the real credit should go to Ozawa, who worked behind the scenes to raise cash and direct campaign strategy.

Pundits say Ozawa has clearly emerged as one of the top contenders for the post of prime minister in the 1990s. Ozawa is portrayed as having squeezed campaign funds from the country's industrialists by telling them bluntly that they would go down the tubes if the LDP lost the election.

Shortly after the election, Ozawa was quickly reappointed the party's No. 2 man, in charge of election strategy.

Ozawa the politician is nothing if not a creature of the personality-based politics of the ruling party. Since he won election to the Diet seat vacated by his father's death 20 years ago, Ozawa has worked his way up by serving the interests of his faction. Kaifu, who comes from the party's smallest faction, has no significant power base and is said to have a tenuous hold on the party leadership only at the pleasure of Ozawa's boss, Takeshita.

Ozawa learned his brand of politics from former Prime Minister Tanaka, who was forced from power in 1974 over allegations of corruption and continued to exert tremendous power until just a few years ago despite having been convicted of taking bribes from the American aircraft maker Lockheed.

"Visit 30,000 homes and make 50,000 street speeches. With that much effort, you may have a chance of getting elected," Tanaka reportedly told then-27-year-old Ozawa as the young man stood stiffly at attention.

Tanaka, who saw in Ozawa a surrogate for his own deceased son, took Ozawa under his wing and taught him the wheeling and dealing of Japanese "money politics"—how to stage election campaigns, how to deal with the opposition parties, how to solicit contributions.

After Tanaka was indicted on bribery charges in the Lockheed payoff scandal, Ozawa demonstrated his loyalty by sitting through all of Tanaka's court appearances from 1977 to 1983—the only politician to do so.

Yet Ozawa's loyalty had its limits. During the decade that faction leader Tanaka was fighting his court battles, his followers could not run a candidate for party president and prime minister—the sole raison d'etre for the LDP's factions. Takeshita seized control of the faction in 1985 after Ozawa and six other members urged him to do so.

Ozawa has held just one cabinet post so far, serving as head of the Home Affairs Ministry for six months from 1985 to 1986. Yet without portfolio, he has played a key role in recent trade negotiations with the United States over such issues as the opening of the Japanese construction market, the joint development of next ground-support fighter and disputes over Japan's telecommunications market. Supporters say he has demonstrated the decisiveness of a leader in those negotiations.

Is Ozawa the Tanaka of the 1990's? Some critics say that public opinion has played a major part in the recent elections and Ozawa lacks the charm needed to woo today's voters. Often contrasted with Ozawa is his Takeshita-faction rival, Ryutaro Hashimoto, the finance minister with the virile good looks of an actor in samurai dramas.

Polls have indicated that the Japan Socialist Party has increased its strength on the popularity of its chairwoman, Takako Doi. And no matter how harshly LDP insiders scorn Kaifu, his personal appeal did bolster the

party's standing in the polls and help it hold off the opposition's challenge. Indeed, people seem turned off by precisely the kind of machine politicking at which Ozawa excels.

"He may appear to be powerful, but his political style belongs to the '60s," said a rival in Ozawa's faction.

* LDP's Ozawa Speaks Out on Political Reform

902B0052A Tokyo CHUO KORON in Japanese Jan 90 pp 154-161—FOR OFFICIAL USE ONLY

[Interview with LDP Secretary-General Ichiro Ozawa by Tetsuhisa Matsuzaki; date, place not given]

[Text] [Photo caption p 155; photo not reproduced] Ichiro Ozawa: Member of the House of Representatives, LDP [Liberal Democratic Party], elected seven times from Iwate second district; graduate of Keio University; first elected to lower house in 1969; served successively in important positions such as parliamentary vice ministers of Construction Ministry and Science and Technology Agency, lower house Management Committee chairman, LDP General Affairs Bureau director, home affairs minister, National Public Safety Commission chairman (second Nakasone cabinet), deputy cabinet secretary (Takeshita cabinet), etc., and appointed in August 1989 as party secretary general, his current post.

[Photo caption p 154; photo not reproduced] Tetsuhisa Matsuzaki: Staff member of the Modern Politics Analysis Center; born in 1950; graduate of Tokyo University Law Department; after serving as an aide to LDP secretary general and LDP president and assignment at the Social Engineering Research Institute, assumed his present position in December 1989.

Undertake Political Reorganization in the 1990's at My Initiative

As the Youngest Secretary General

To realize political changes based on the principle of traditional parliamentary democracy in the near future, the only possible means is to revise the electoral system setup. I am anxious to tackle the problem by every possible means at this time.

[Matsuzaki] Over 2 years have passed since the Takeshita administration was installed in the fall of 1987 and during this period, the LDP has undergone various favorable and unfavorable turns and twists but on looking back now, it appears that one of the significant consequences was the noticeable progress of generational changes within the party. A review of the succcessive secretaries general shows that Secretary General Miki of the Ishibashi administration was 4[illegible] old, Fukuda of the Kishi administration was [illegible]ka of the Sato administration was 47 while [illegible]ceding Secretary General Ryutaro Hashimoto of the Uno administration was 51 and Secretary General Ozawa is 47 years old.

Ozawa: Together with my boss (former Prime Minister Kakuei Tanaka), I am the youngest at 47 years of age.

[Matsuzaki] In other words, after 20 to 30 years have passed since the emergence of the "Miki-Tanaka-Ohira-Fukuda-Nakasone" administrations, which led Japanese politics until recently, the position of secretary general, which is the pivotal post in a political administration, suddenly reverted back to the young generation. On the other hand, it is said that after the fall of the Takeshita government caused by the Recruit incident, persons like Uno and Kaifu were chosen as the succeeding presidents because of the pressure of concerns that such trends might accelerate too fast but actually, do you think that the underlying tone of generation changes in the party will become more fixed in the future?

Ozawa: Well, basically, since the world changes day by day, and new generations emerge one after another, it is only natural that societal changes should ultimately spur generational changes in politics, too. However, as I have been saying all along, we are not aiming for a revolution. Even with each policy decision, materialization is possible only with the support of the people's majority and you can't get by with only youthfulness. You must be looked upon by society as a person who can be trusted, i.e., you must win over a certain amount of approval.... In that sense, it is true that 58-year old Kaifu is somewhat younger than the previous leaders but as for electoral victories, he has won 10 times which is the same as Uno and Abe and I believe that he was chosen because he was considered the most qualified person to maintain party harmony and to plan cooperative action by broadly considering public opinion.

Hereafter, since this is not a revolution, everything will not change at once and with our party president, too, it doesn't mean that, "once a 58-year old person becomes one, others must be younger." I believe that as passing phases, there will be steps taken forward as well as backward, with gradual progress, as far as the chieftain is concerned. However, as for myself and for Mitsuzuka (Policy Research Council chairman) and Karasawa (General Council chairman), too, we would probably never have been appointed to the party's three top positions unless this emergency arose unexpectedly, so in that sense, I think that the underlying trend was accelerated considerably at the prepheral staff level.

[Matsuzaki] Since the merger of conservative parties, 35 years have passed and the LDP has augmented its setup and grown immensely but it has become an unwieldy organization. Historically, generational changes would hardly proceed unless there was a revolution or a war but on this occasion, the disaster of the upper house election defeat caused by the Recruit incident and the consumption tax issue was turned into a blessing for the dashing appearance of youngsters on the front stage. I received the impression that this, too, showed the resiliency of the LDP.

Ozawa: It probably means that the various contradictions arising from LDP's actual solitary rule for a long period have reached their critical limits. Therefore, at such a time, there will be occasions when we might advance a meter at a time or move forward only by centimeters while marking time—isn't that so?

[Matsuzaki] Hereafter, the people's interest lies in whether or not the Kaifu administration will continue. Of course, that will probably depend on the outcome of the forthcoming general election, but we would like to learn the secretary general's outlook.

Ozawa: Needless to say, elections are the roots of democracy so if the LDP is defeated by losing the majority, it is only natural for us all, from the president on down, to take the responsibility. However, if it is assumed that a majority can be maintained somehow, then, since Kaifu has tenure until October 1991 according to the party system and also, from the standpoint as the government's ruling party, once he has been chosen as the prime minister and party president, it is essentially impossible to consider him as a provisional choice. He should be removed for only one of two reaons, failure in policy management or defeat in election.

[Matsuzaki] You just mentioned, "if a majority can be maintained," but four months have passed since the upper house election and in recent public opinion polls, the hostile atmosphere toward the LDP has lessened somewhat while there appears to be talk within the party of setting a high victory target of 260 or 270 seats.

Ozawa: Well, that is probably the view of a very small minority. Faced with a situation where the entire party must unite to win the election, I think that any thought of setting an arbitrary level to be attained, as though that should be the responsibility of the Kaifu administration, is ridiculous. A party member should not engage in such speculation. Whatever happens, all of the members must strive earnestly to exceed the majority line by even one additional person. I believe that is the sound argument for now and also, the majority view.

[Matsuzaki] However, hasn't that sense of crisis eased somewhat?

Ozawa: No, because in the case of the lower house, as compared with the upper house, the electoral base established by the actions of individuals, more than the party, will determine the outcome so I do not think there has been any slackening. There might be the factor of fatigue. (laughter)

The fact that the support rate for the cabinet has been restored considerably, as shown in recent public opinion polls, means that, in my view, the populace is finally acknowledging the point that there has been a complete change in personnel, from President Kaifu on down, and that we have been trying, in our own ways, to do our best. Therefore, if we continue to progress while maintaining this posture, such hostile reactions as before should not be stirred up again. However, I am not sure whether the hostility will completely subside before the general election. I am admonishing myself that that will depend on our continued efforts.

[Matsuzaki] As for the secretary general, wouldn't advantages in future political developments become greater, the longer the administration of a stabilized Kaifu government?

Ozawa: No, I do not think that is necessarily true.

To gain a majority in the general election is the biggest objective of President Kaifu and our executive staff and assessment of the political administration will probably depend mainly on future policy judgments. In my view, on the diplomatic front, it is certain that U.S.-Japanese relations will face an extremely tense phase next spring [1990]. How should that situation be resolved? As for domestic politics, if it can be assumed that the favorable economic condition can be maintained, then the foremost task is the realization of a political reform, including revision of the electoral system. Considering Kaifu's posture, too, a definite response must be shown at this time. Also, the Election System Council is expected to submit the final report before April 1990.... With the two big foreign and domestic political tasks to be confronted after the general election as test cases, I feel that the capability of the Kaifu administration will be assessed critically by both the party and the people on how it copes with them.

Only Option Is Coalition of LDP, Komeito and DSP [Democratic Socialist Party]

[Matsuzaki] Considering the political situation after the general election, isn't it true that even if the LDP is able to maintain a majority in the lower house after the voting, the reversed status of ruling and opposition parties in the upper house will not change? Most of the bills, except for budgetary and diplomatic items, will be held up in the upper house. Therefore, maneuvering to obtain a majority in the upper house will become absolutely necessary. With only the Democratic Socialist Party, which is regarded as the closest to the LDP, the number of Diet seats are not enough. According to hearsay reports, the secretary general is at the Komeito for a possible coalition agreement or support from outside the cabinet, and since this involves the reorganization of the political circle, wouldn't it become a significant factor in the outlook for the 1990's? What are the prospects?

Ozawa: In the formulation of our domestic and foreign policy decisions, a major prerequisite is the stability of our internal political situation. How do you establish that? Of course, the first condition is for the ruling party, itself, to win a majority in the general election but to build an even more stable foundation, negotiations with opposition parties enter the picture, as you have mentioned. In view of the current situation in the upper house, there are only three possible ways from the standpoint of numerical strength, i.e., to coalesce with the JSP [Japan Socialist Party], or the Komeito, or both

the Komeito and the DSP. Speaking realistically, if one were to ask can we form a general framework of agreement with the JSP concerning basic party policies, I think that would be rather impossible. There is too big a difference in the fundamental character of both parties. Since the number is insufficient with only the Komeito, then, the only remaining option is the third course. I think that that is a commonsense conclusion. Putting aside the question of how negotiations should be conducted concretely, the course that Japanese politics should follow for the time being, at least, must be clearly ascertained.... In fact, it is uncertain how long the economy would continue to be good and there are pending problems in U.S.-Japanese relations so instability in the political situation must be avoided now at all costs. Anyone engaged in national politics, regardless of affiliation with ruling or opposition party, should naturally be aware of that.

Also, it is possible that, together with future election system reforms, a situation such as this might lead to a reorganization of the political circle in the future. In that sense, we might be facing a year that marks a significant turning point historically.

[Matsuzaki] In the government circle, it is a well-known fact that Kanemaru has a big pipeline to the JSP and former Prime Minister Takeshita to the Komeito from their experiences in Diet management, but is it reasonable to assume that the secretary general, who is in the position of continuing the trends from the Tanaka faction, is already planning in his personal strategy to take advantage of such personal ties?

Ozawa: Yes, of course, we would like to take over firmly the know-how that we have learned from various elders of our faction on how to deal with opposition parties. Within the confines of Diet management, to conduct negotiations focused on the JSP, which is the leading opposition party, might be considered the rule but it is no longer an age when the LDP alone can command a stable majority. If the aim is to build a wide-based political foundation, which incorporates certain policy agreements, a more flexible approach becomes necessary. After all, nothing will come out of negotiations between persons with diametrically opposed basic principles, no matter how often they are held.

To Achieve a Two-Party System

[Matsuzaki] In the face of such a situation, discussions about a conservative two-party system always come up. I call it "textbook democracy" and government changes, based on two major political parties like in the United Kingdom and the United States, represent the ideal state of sound politics, but to realize that in our country's political environment, a conservative two-party system is considered desirable and such expectations are rather deep-rooted among the national populace. Putting aside the question of whether such a line of thinking is truly correct or not, what are your views on the possibility of two major political parties in the future political makeup of Japan?

Ozawa: I think that the general populace hopes for a two-party system such as you have mentioned. However, such awareness is still a conceptual one and I think that the people know it unconsciously but its realization is not possible immediately within the framework of existing political parties. To put it more concretely, the great majority of JSP Diet members are showing a certain amount of understanding regarding our country's present situation but can they divest themselves of the reputed extremely leftist character...? If they can do that, the opposition parties can unite and reorganize as the opposition force and perhaps, as a related action, our LDP might be able to take some steps. However, in reality, that question has been a long-standing problem for the JSP and it is difficult to change. Since it cannot, it has continued to be the perennial opposition party until this day.

If we are going to do it leisurely, taking 50 or 100 years, the present system is adequate, but if we want to see changes in political power, based on the principle of traditional parliamentary democracy, at the earliest possible stage, I believe that the only possible way is to revise the electoral system setup. Without using that approach, it will be difficult to establish an ideal political pattern.

[Matsuzaki] You have touched on an extremely important point. Judging by your past history as the promoter of election system reforms, I believe that your statement points to the introduction of the small constituency proportional representation system in general elections.

Ozawa: That is the only possible course.

[Matsuzaki] Were you thinking, from the beginning, of transition to a two-party system when you proposed the idea?

Ozawa: Yes, of course. If the small constituency proportional representation system is to be installed, one must be prepared for the LDP to become the opposition party some years hence. Of course, even with a new system, there will be merits and demerits since it is a mechanism devised by human beings but to eliminate various abuses which undermine today's politics and to realize a two-party system which enables government changes, this is the only course.

Generally speaking, it is true that the small constituency system will be advantageous to the LDP for the time being. However, that is probably true for only two or three general elections, at the most. Before long, a sound opposition party is sure to develop. If it is a single-seat district, opposition parties must reduce the number of candidates, and to compete with the governing party, they must unite by coordinating policies. From such actions, a counter political force will emerge. If such a pattern is established, they will be equal to the LDP in actual governing power.

[Matsuzaki] Was the secretary general prepared for such developments when making his decision?

Ozawa: One must be ready to accept such eventualities. It will be trying for those electioneering, i.e., the individual Diet members. A true rival will appear. The situation will become similar to that of the former Seiyukai and Minseito parties. Or, like that of Republicans and Democrats....

[Matsuzaki] In the case of the United States, there is the system of primaries for both parties so before the Republicans and Democrats face each other, one-on-one, in the final elections, there is the process to narrow down several candidates to one in the party. It is reported that the biggest criticism about the present medium-size constituency system is, "elections are expensive because candidates from the same party compete," but even if the small constituency system is introduced, as long as the arrangement calls for primaries, wouldn't the situation eventually be the same?

Ozawa: Yes, so what I am proposing is the British-style approach instead. If the small constituency system is to be adopted, I think that enactment of a Political Party Law is necessary. Otherwise, the situation will remain the same with only the area becoming smaller; there will be no real changes. It is probably not an exaggeration to say that the success of the election system reform as well as political reforms will depend on whether a Political Party Law can be established. That involves the Constitution. That is, if official recognition by a political party becomes a prerequisite for candidacy in a general election, it means that the electoral eligibility of citizens is being restrained somewhat. It would be nonsensical if anyone could run indiscriminately without any party affiliation. How to reach a suitable compromise and how to resolve the problem of constitutionality? That is the biggest hurdle.

Like the German Political Party Law, I think it would be better to write clearly into the laws beforehand, the official recognition procedures to be enforced by various parties. An arrangement should be incorporated beforehand so that by fully disclosing to voters the process by which official candidates are to be selected, democratic terms can be assured for party members, too.

[Matsuzaki] Judging by this interview, it appears that a definite program toward political reorganization is already formulated in the secretary general's mind.

Ozawa: Hoping to see the realization of "regional revitalization" and election system reform, if the Takeshita administration had continued a while longer, I had done considerable research individually and acquired substantial resource materials. For the benefit of Japan's political future, I am all set to tackle the problem with whatever means necessary at this time.

U.S.-Japanese Cooperation Is Prerequisite to Prosperity

[Matsuzaki] A while ago, in discussing important political tasks to be faced after the general election, the secretary general first mentioned the handling of U.S.-Japanese relations but during the past year or so, while domestic politics were stalled with the Recruit incident and the consumption tax problem, the framework of world politics underwent remarkable changes. Affected by the rapid freedom movement of East European countries which might overturn the postwar Yalta setup, U.S.-Soviet reconciliation is entering a decisive phase. Won't the status of U.S.-Japanese relations be reassessed in the context of this new world order?

Recently, an influential LDP Diet member aroused public criticisms by publishing a book which suggests that Japanese should say "no" more often to Americans. At the same time in the United States, "Japan-bashing" talks have emerged and there are scholars who raise the possibility of abrogating the U.S.-Japan Security Treaty so it appears that there is considerable confusion in the talks between the two countries. What is the future outlook of the secretary general who, as a special government envoy during Takeshita's administration, was on the frontline in U.S.-Japanese negotiations?

Ozawa: To put it bluntly, I think that the lessening of U.S.-Soviet tensions in recent years is the movement by both superpowers, which had concentrated diligently on a military buildup, to voluntarily reduce military dominance because they could not bear the financial burden today, nearly half a century after the end of the war. The Soviet Union, in particular, seems to be in dire straits with no relief in sight. To compound the problem, there was an outburst of the basic human desire for freedom among peoples of various socialist countries. Therefore, this trend of East-West rapprochement might advance further in the future but retrogression does not seem possible. Then, naturally, the focus of foreign affairs for the United States will shift toward Japan. I am concerned that U.S.-Japanese relations might become extremely tense around spring of next year [1990] because of such underlying factors.

As for the national security problem mentioned earlier, since the basic principle of politics is rooted in the responsibility to protect the safety of the lives and property of one's own countrymen, even if a security treaty exists, one should question whether American troops would truly shed their blood to help our country in an emergency.... In the final analysis, no one can guarantee this, so in our dealings with foreign countries, we must constantly base our thinking on such realism.

Now, the most important point to consider is that Japan is the one that will suffer from a breakdown in U.S.-Japanese relations. For our country, unless we win over the United States, stable peace and prosperity cannot be a reality for the future. I believe that once more we must clearly recognize this. I, too, hurled defiant words at the American side during critical stages in negotiations, but

the strange self-conceit and conversely, the fawning behavior, being shown recently by some Japanese are absolutely intolerable in international politics. Needless to say, even the Americans have feelings of presumptuous pride stemming from their national traits. In any event, however, they have done their best for us for nearly half a century and in view of today's Japanese achievements, our country should be wholly receptive to what the United States has to say, yield to the utmost possible extent what must be yielded and, at the least, deal with them by making efforts from our side to continue the dialogue.

[Matsuzaki] Then, is it your view that no matter how critical the situation that Japan and United States should face, the worst scenario can be avoided?

Ozawa: I feel that in recent days, the American side, too, has definitely begun to change their stance from showy, so-called "Japan-bashing," to more effective pressuring on individual, concrete issues. Ultimately, it all depends on the Japanese response. If we show a truly sincere attitude, the relations which were nurtured over many years will not collapse so easily.

[Matsuzaki] Nevertheless, the secretary general who shows such deep understanding in "internationalization" is a second-generation Diet member who is apt to become the target of criticisms by society. Come to think of it, many second-generation Diet members were raised in cities although they took over the electorates of farming villages. Motoo Shiina and Setsu Shiga from your same district are second-generation Diet members, too, and well known as internationalists. On the one hand, there is the abuse of political patrimony but, on the other, in the present situation where there is an over representation of agricultural villages, the existence of second-generation Diet members might have a valuable significance because of their interjection of urban as well as international political awareness.

Ozawa: Well, of the three persons, I am the most countrified (laughter) but from the standpoint of the political climate, awareness is much higher in rural areas than in cities. Voters look after politicians on a long-range basis.

Of course, politics should not be a hereditary occupation and since they participate directly in governing, the successive emergence of second-generation Diet members is not necessarily desirable but the important thing for them is to study hard and produce results effective enough to counter such criticisms. I am admonishing myself about this every day.

Post-Interview Comments

Although the example of his predecessor, Ryutaro Hashimoto, lessened the shock, the appointment of Ozawa as secretary general is a development approaching a revolution. He is, along with former Prime Minister Tanaka, one of the youngest secretaries general in the postwar political era, and one must go back a quarter of a century to find any historical precedent. The LDP's customary personnel management practices, such as placing priority on seniority and number of election victories, were cast off ever so simply.

Furthermore, the evaluation is that instead of being "overawed by his position," his handling of the unconstitutional issue of the tax system agreement shows that he even has the imposing appearance of a powerful secretary general. Of course, there are some who say that Ozawa is a "scoundrel," but in the world of politics, at least, that might be taken as a compliment.

In the past, the Nakasone administration which was considered weak acquired a powerful political base by joining with the Tanaka faction, the party's largest faction, and likewise, though Prime Minister Kaifu is from a small and weak faction, his governing base might become unexpectedly stable if he aligns with the Takeshita faction. Meanwhile, if the term of the Kaifu administration is prolonged, for Ozawa, who belongs in the generational change camp, rivals will disappear, one after another, without competing. In other words, the interests of the prime minister and the secretary general coincide in "extending the political administration...."

In his reply, Ozawa parried this question. Of course, he could not give an affirmative answer and with regard to other questions, he was surprisingly frank in his replies.

Watanabe, former Policy Research council chairman, is the one who set the target high for the general election outcome, but Ozawa rejected that with a passing remark. It is certain that any movement which upsets the stability of the political situation is of strategic concern and if that is suppressed, it might result in prolonging the Kaifu administration.

This is the first occasion when a politician in an influential government and LDP position made such an explicit statement regarding the issue of introducing the small constituency system. He is able to understand the causal relationship between the election system reform and reorganization of the political world because he has served as the LDP General Affairs Bureau director and was personally involved with other experts in election matters. But this political reform, with the accompanying big reduction in the number of fixed seats, is an undertaking which will result in an aggressive offensive by opposition parties against the LDP. On that, there appears to be agreement in the "policy judgments" of Prime Minister Kaifu and Ozawa, who are both proposing political reform as the first priority.

LDP's 'Big Three' Said Plotting Kaifu's Downfall

OW0603135290 Tokyo MAINICHI DAILY NEWS in English 5 Mar 90 p 1—FOR OFFICIAL USE ONLY

[Unattributed MAINICHI SHIMBUN article]

[Text] As some see it, when three powerful but disgruntled leaders of factions of the ruling Liberal-Democratic

Party (LDP) get together, they can be doing nothing else but plotting the downfall of Prime Minister Toshiki Kaifu.

Thus a cloak-and-dagger rumor was sparked by a recent chance gathering of former Prime Minister Noboru Takeshita, former LDP secretary-General Shintaro Abe and former Chairman of the LDP Policy Research Council Michio Watanabe at the present LDP secretary-general's office in the Diet Building.

At the time, on Friday morning, Kaifu was just in the midst of giving his policy speech in the main meeting hall of the Diet, and LDP Secretary-General Ichiro Ozawa had gone to listen to the speech so he wasn't present at the powwow. In fact, some political observers found disturbing similarities to the time a coven of leaders of powerful factions brought down the administration of former Prime Minister Takeo Miki, whose power base was weak.

Kaifu, also belongs to the Komoto faction, which used to be the Miki faction. But, Takeshita laughed off the suspicions, saying that the gathering just happened "by chance."

Apparently, Takeshita went to meet the chief of the secretariat of the Construction Ministry in Ozawa's office, which happeed to be free, and Abe appeared unexpectedly. The three men disappeared into Ozawa's office, and about 20 minutes later, Watanabe showed up at Ozawa's office with Toshio Yamaguchi, a high-ranking official of the Watanabe faction.

It's no secret that there's no love lost between Kaifu and the triumvirate of Takeshita, Abe and Watanabe—all of whom have had their king-making roles weakened by Recruit scandal.

Abe, as Takeshita's long-time crony and political heir-apparent was kept from the premiership after Takeshita resigned because of his implication in the Recruit scandal. He is now seen as a leading contender for the post-Kaifu premiership.

Watanabe was miffed by Kafu's stubborn resistance to his suggestions of certain scandal-tainted politicians for posts on the recently formed second Kaifu Cabinet.

About five minutes after Watanabe's arrival, Abe realized there was a commotion outside the office door and went out, saying, "We haven't been talking about anything dangerous."

Abe dismissed the secret conference rumor with, "Even thouth we sincerely support the Kaifu regime, people say we are pulling his leg."

"I was just talking with the chief of the Labor Ministry secretariat," Takeshita said in his own defense. "I did speak some with Abe, but Watanabe arrived too late." Watanabe also denied having had a secret conspiracy, and muttered his perpetual lament, "Why does everyone reject Diet members who had Recruit connections?"

According to the accounts of the three men, Takeshita and Abe discussed Takeshita's upcoming trip to the United States, and, after Watanabe came, they talked about a member of the Watanabe faction who was removed as a parliamentary vice-minister because of his involvement in the Recruit scandal.

The only time the talk reportedly touched on Kaifu was when Watanabe criticized the prime minister for defending his political contributions on a television show.

Column Views LDP Internal Power Balance

OW1103004290 Tokyo ASAHI EVENING NEWS in English 9 Mar 90 p 6—FOR OFFICIAL USE ONLY

[Unattributed "Political Spectrum" column: "Will Takeshita Help Kaifu on Trade?"]

[Text] The ruling Liberal-Democratic Party [LDP] has set up its mechanism to help Prime Minister Toshiki Kaifu with his eforts to produce progress in dismantling the structural impediments to trade. Because of his weak power base, the success of Kaifu's efforts crucially depends on how much support he can muster within the party. He is heartened by the new lineup of heads of the relevant intraparty policy panels, who were appointed on Tuesday.

Former Deputy Prime Minister Shin Kanemaru was named to head the LDP Policy Board's panel on roads, while Yohei Kono, Kaifu's close associate, was appointed chairman of the foreign affairs panel. The Kanemaru nomination is important because of his clout as chairman of the largest intraparty faction led by former Prime Minister Noboru Takeshita. His panel's relevance comes from the fact that greater public works spending is a key U.S. demand. Before his ascent to the top, Kaifu was a member of the LDP education lobby, like Kono and Takeo Nishioka, who was picked by the prime minister to head the party's Executive Board.

Referring to the Kanemaru and Kono appointments, Kaifu said the party had come up with the best possible team.

For the present, however, the LDP panels seem to be having trouble deciding what specifically they should do to help Kaifu, because the prime minister has insisted that he did not make specific promises in his talks with U.S. President George Bush at Palm Springs March 2-3. "What concessions in what areas would satisfy the United States?" Asked a top LDP executive on Tuesday. "The government should first determine the likely point where a compromise can be reached. Otherwise, the party can't do anything," he said.

The faction of former State Minister Toshio Komoto, to which Kaifu belongs, has vowed to give the prime minister all-out support in his search for solutions to the structural trade issues. But the secretaries-general of the other LDP factions have agreed to watch governmental

efforts for some time. "Let's see first how much leadership the prime minister can exercise," said a senior LDP official.

With the relevant LDP policy panels not likely to go into action immediately, the spotlight is on former Prime Minister Takeshita's visit to the United States, starting Saturday. He is scheduled to meet President Bush next Monday. "The United States should be strongly hopeful that Mr. Takeshita's visit will bring about progress in the structural impediments initiative talks," says a senior Foreign Ministry official.

Having the largest LDP faction behind him, Takeshita is known for his talent for getting things done behind the scenes. To Kaifu, however, Takeshita's help is not entirely welcome. If Takeshita holds substantive talks with U.S. officials on the structural trade issues, it will spotlight Kaifu's weak leadership, possibly sparking an intra-LDP drive to unseat him.

The opposition parties are worried that their attacks on the discrepancy between Kaifu and U.S. officials on whether President Bush brought up three specific issues might be exploited for such purposes by the LDP lawmakers who are waiting for the prime minister's missteps. "We don't want to give the impression that we are helping to topple the prime minister," says a senior official of the No. 1 opposition Japan Socialist Party.

The discrepancy over whether Bush asked Kaifu to stiffen the Anti-Monopoly Law, revise or abolish the Large-Scale Retain Stores Law, and increase spending for public works projects has handed the opposition excellent ammunition to attack the government. But the anxiety not to help the LDP lawmakers who would bring down Kaifu is detracting from their attacks in sessions of the lower house budget Committee, which started Thursday.

Answering questions by opposition chiefs in a plenary session of the lower house on Tuesday, Kaifu repeated that he had not discussed any specific issues or worked out any concrete agreement in his Palm Springs talks with Bush. But the opposition does not take his denial at its face value. "It is unbelievable that specific issues were not taken up," says Hiroichi Sakai, a senior official of the Clean Government Party (Komeito).

Another senior Komeito official speculates that Kaifu and Bush probably exchanged views on spedific issues on condition that no record of their discussion was to be kept. But there is no evidence showing that this was the case.

The opposition's suspicions of Kaifu's claim stem partly from the fact that in a number of cases, the contents of high-level talks with foreign leaders have not been disclosed by the Japanese side. Yasuhiro Nakasone, who visited the United States as prime minister in January 1983, first denied and then acknowledged a WASHINGTON POST report that he had talked of turning Japan into an "unsinkable aircraft carrier."

The fact that Chinese Premier Li Peng, in his talks with then Prime Minister Takeshita in August 1988, asked for a settlement of China's claim to a student dormitory in Kyoto did not come to light until the PEOPLE'S DAILY reported it.

LDP Budget Tactics Forcing Compromise

OW0903135790 Tokyo MAINICHI DAILY NEWS in English 8 Mar 90 p 1—FOR OFFICIAL USE ONLY

[Text] The opposition parties are likely to face the first trial of the current special Diet session as the ruling Liberal-Democratic Party [LDP] has decided to refuse to vote on the fiscal 1989 supplementary budget, a trump card which will force the opposition comp to compromise on the deadlocked consumption tax issue, according to LDP sources. The drastic decision means the opposition side can no longer depend on its optimistic scenario.

The early passage of the supplementary budget, which involves the salary of public servants for March, was important particularly for the Japan Socialist Party, the largest in the opposition bloc, which has a strong support basis in unions of government office workers.

However, since the budget is based on revenue from the controversial consumption tax, the opposition, which has been calling for the abolition of the tax, cannot approve it in principle. Struck in this dilemma, they decided to let the budget pass the Diet while voting against the budget plan.

The budget is an exception which allows the decision of the House of Representatives to become the decision of the Diet when the two houses end up with different results. Thanks to this, the opposition can have the budget pass the Diet, pleasing the public servants, and at the same time can show their opposition against the consumption tax by voting against it.

However, with the latest LDP decision to postpone voting, the delay of salary payment to public workers will become inevitable.

Public servants' salaries are payable on March 15. But without the passage of the supplementary budget, which includes the salary increase, this cannot be paid. Due to the ruling party's new strategy, the opposition will have to compromise on the consumption tax issue if they want to prevent a delay in salary payment.

LDP To Create Forum for Talks With Opposition

OW1303005290 Tokyo MAINICHI DAILY NEWS in English 11 Mar 90 p 1—FOR OFFICIAL USE ONLY

[Unattributed MAINICHI SHIMBUN article]

[Text] The ruling Liberal-Democratic Party (LDP) will only be able to resolve nagging problems such as the widening chasm in U.S.-Japan relations by establishing a

framework in which it can work with the opposition, LDP Secretary-General Ichiro Ozawa said in a recent interview with the MAINICHI SHIMBUN. Ozawa said a forum should be set up to enable the LDP and the opposition to cooperate on working out basic foreign policy and security policy, and that opposition demands should be incorporated into the supplementary 1989 budget as well as the 1990 budget.

If the leading opposition party, the Japan Socialist Party (JSP), summarily rejects participation in such a forum, the LDP could start talks on a coalition government with the two middle-of-the-road opposition parties, Komeito and the Democratic Socialist Party (DSP), Ozawa said. Factors that have forced the LDP's call to create a basis for cooperation between the ruling and opposition parties include a Diet with an LDP-dominated Lower House and an opposition-dominated Upper House, worsening trade friction with the United States and stalled deliberations on the supplementary budget.

The LDP will probably start holding backroom negotiations on the supplementary budget with the JSP, Komeito and the DSP in earnest from the beginning of this week.

According to Ozawa, the LDP and the opposition will have to work together smoothly as a unit in order to persuade the Japanese people to accept painful law revisions aimed at advancing the Structural Impediments Initiative (SII) talks with the U.S. Ozawa also said it is essential to institute a system by which the ruling and opposition parties can negotiate in the open to counteract the effect of the distorted balance of power in the Diet.

Touching on the severely strained relations between the U.S. and Japan, Ozawa said, "If the SII talks fail, we will reach a crisis point in U.S.-Japan relations. It will be a big problem if Japan cannot make any promises."

Ozawa showed the LDP's inclination toward some sort of coalition with the opposition. "Any sort of coalition would be the result of the ruling party's cooperating with the opposition," he said. "First of all, we will have to openly agree on basic policies."

The establishment of a forum for the ruling and opposition parties to come to an agreement on how to deal with basic policies, especially what to do about the controversial consumption tax, could eventually lead to a coalition. Ozawa did not take a hard-line stance on the supplementary budget. "We have to revise it if we can come to an agreement," he commented.

Giving details on how the LDP would approach the opposition, Ozawa said, "First, we'll have in-depth talks with the JSP. There's a good chance that there's a lot of sensible opinions in the JSP." While expecting the JSP to change, Ozawa does not rule out the possibility of its refusing to go along. "If we don't manage to deal with the JSP, we'll talk with Komeito and the DSP," he said.

Chairwoman Doi Views JSP's Future Policies

OW0403152890 Tokyo MAINICHI SHIMBUN in Japanese 25 Feb 90 Morning Edition pp 1, 3—FOR OFFICIAL USE ONLY

[From the "Sunday Special" column: "Summary of Interview With Takako Doi, Chairperson of the Japan Socialist Party (JSP), by Akio Uenishi, MAINICHI SHIMBUN Political Department Chief"; date, place not given]

[Text] Opposition parties, which appealed to voters for support to "defeat one party domination by the Liberal Democratic Party [LDP]" and to change political power by winning a majority in the Lower House, were defeated in the general election. Takako Doi, chairperson of the JSP, which is the sole party that gained a major advance, reviewed campaign strategies and said: "The opposition camp's conception of coalition government was not clearly understood by the people." On future plans, she said: "We cannot move the mountain unless we keep pushing it. Difficulties are yet to come." She thus explained her determination to challenge again the possibility of the JSP becoming a governing party and unifying opposition parties. Moreover, she expressed her willingness to promote the opposition party's foreign diplomacy by visiting the United States, the Soviet Union, and the ROK to cope with the rapidly changing international situation.

[Uenishi] The opposition could drive the LDP into losing its majority in the general election. What do you think was the cause?

[Doi] The LDP felt a grave sense of crisis regarding the results of the upper house election held last summer. On top of that, financial power, rights and interests, and factions continued to demonstrate their influence. To my great regret, the scale of the LDP's election campaign activities—which involved entire enterprises—was so big that opposition parties could not equal them. Although we did our best, the concept of a national coalition government (by the JSP, Komeito, the Democratic Socialist Party [DSP], and Rengo) was not clearly understood by the people.

In addition, only the disunity among the opposition parties regarding the plan for a coalition government, was highlighted and reported by the mass media. Although the actual process of reaching a consensus was progressing, it was not reported. However, there is no use complaining about it now.

[Uenishi] Why do you think the consultations for the establishment of a coalition government failed?

[Doi] The consultations were not necessarily failures because we made a promise to each other that we would "continue to have further consultations among the four opposition parties even after the election."

[Uenishi]: At the time of the upper house election, you said that "the mountain has moved." Do you think it has stopped moving?

[Doi] Well, it will not move unless we keep pushing it. The fact is, difficulties are yet to come. For a long time it has been expected that the JSP would merely play a role of confronting and resisting the government and the LDP and gaining applause. However, we cannot comply with the expectations of the people unless we do something different. Now, people are questioning our capability to govern and taking over for the government. Because of that, I think we have to submit alternative plans (counterproposals) to the government and the LDP.

[Uenishi] How are you planning to tackle the consumption tax issue at the special Diet session?

[Doi] We have to keep our promise that we will submit a bill designed to abolish the consumption tax to the Diet after the election. We will act on our public pledge. The LDP will submit a revision bill and the opposition will submit a bill for the abolition of the consumption tax. I think that discussions will be focused on how the lower and upper houses, as a whole, will deal with the issue if both bills are passed. Some of the LDP members think that "railroading the bill for an introduction of the consumption tax was a mistake." I think we should abolish it first and then the governing and opposition parties should firmly tackle a new tax system reform to rectify the unfairness.

[Uenishi] During the election campaign, the LDP criticized the "individual indirect tax" plan the JSP advocated. Can you comment on this?

[Doi] When discussions were focused on how we would tackle the tax system reform after abolishing the consumption tax, we could not be irresponsible by saying that "we are not thinking about it at all." So, we explained the JSP's point of view regarding "a possible indirect tax," that could be studied along with the correction of the unfair tax system and taxation on properties. We said: "This is one idea and we will not introduce a large-scale indirect tax." It is off the mark to criticize us on the basis of misunderstanding the circumstances.

[Uenishi] Can you comment on future cooperation with other opposition parties?

[Doi] The four parties will unite and submit a bill for the abolition of the consumption tax. At the same time, I think the four parties can cooperate in widely ranging issues, such as drastic, political reform, introduction of a welfare system for the aging society, agricultural policies, and peaceful coexistance diplomacy.

[Uenishi] Are you going to make efforts for a historic reconciliation with the DSP and other organizations in the future?

[Doi] Everything may go down the drain if I (publicly) say now that I will make efforts. I have a very strong feeling that the opposition parties must unite together and cooperate each other.

[Uenishi] The introduction of a small constituency system is becoming a new issue in connection with political reform. Can you comment on this?

[Doi] Regarding the election system, the redistribution of lower house seats, such as dissolution of two-seat and six-seat constituencies, must be done first. It is my personal opinion that the proportional representation system should not have been introduced for the upper house, but rather for the lower house. In that case, party policies would have become focal points of contest.

[Uenishi] More woman candidates were elected in the recent elections. What do you think of this?

[Doi] There are women, young people, and nonunion members among those who were elected this time. They will play a new role in the process of making party policies. This time, we supported more than one candidate in some constituencies, which was primarily considered unfavorable to us. In that sense, the recent election was a touchstone for us. We must overcome these difficulties in order to drive the LDP into losing its majority.

[Uenishi] Hasn't the JSP been urged to overhaul itself?

[Doi] Although the number of Diet members who belong to the JSP increased, the party itself is not strongly unified. It is good to have different ideas in the party. However, a very important thing is to join forces when we face a critical situation.

[Uenishi] How are you planning to deal with the election for the JSP chairmanship that will occur on 2 March?

[Doi] I have no comment on this matter.

[Uenishi] Japan-U.S. relations have reached a crucial period. Do you have a plan to visit the United States?

[Doi] I feel that I have to visit the United States at an early opportunity. However, there are Diet sessions and the party convention slated (for April). I have to take these points into consideration.

[Uenishi] What are the main points of Japan-U.S. relations?

[Doi] How we will tackle the economic issue will be the primary question rather than the previous way of thinking, which put importance on military affairs. Although we also have to deal with the structural impediment initiatives and trade friction, I think it is a very important period to discuss global issues and to discuss what kind of roles Japan and the United States should play in international relations.

[Uenishi] Speaking of which, is not the JSP more inclined toward protectionism, especially in the issue of rice as well as other items?

[Doi] As far as the rice issue is concerned, the positions of the governing and opposition parties are the same and they are (opposed to liberalization), are they not? I think it is too imprudent to conclude that the JSP is negative about complete openness or liberalization by taking up only the issue of rice.

[Uenishi] How about Asian policies, notably the Korean peninsula issue?

[Doi] As far as Japan is concerned, Asia is still in the cold war period. I hope importance will be attached to the fact that in Europe, the situation is changing from a military alliance to an economic alliance. Regarding the Korean peninsula, I hope South-North dialogues between the parties concerned will be promoted. However, we would like not only to assume the attitude of an onlooker but also to positively study how we can actually improve ties with the North (DPRK) seeing as the Japanese Government has been maintaining close relations with the South (ROK). When you think about the historic fact that Japan ruled the Korean peninsula as its colony for 36 years, it is not right to deal with the North and South differently. We should not basically forget this. The U.S. forces have started to reduce its troops in the ROK. In broad perspective, I think this will be a big step toward the release of tension and the promotion of peace on the Korean peninsula, and ultimately toward the promotion of peace in all of Asia.

[Uenishi] Do you have a plan to visit the ROK?

[Doi] I have been saying that I will visit the ROK. Since President No Tae-u will visit Japan, I will decide (the timing of my visit to the ROK) while watching how the situation develops.

[Uenishi] It seems that a breakthrough of the deadlock in Japan-USSR relations will be promoted at a rapid pace. Do you want to visit the Soviet Union as well?

[Doi] Of course, I do.

[Uenishi] What are your fundamental views regarding Japan-USSR ties?

[Doi] Regarding the relations with the Soviet Union, the LDP is also gradually changing their views. I am ready to cooperate. It has been two and half years since I visited the Soviet Union and met with the Supreme Soviet Chairman Gorbachev. However, I did not think at that time that the discussions between the United States and the Soviet Union would progress at this rapid a tempo. It was said that verification with regard to overall disarmament would be difficult. However, it is no longer impossible. That is because both countries are aware that human beings will perish once they start a war. The dream of the past has become a reality. We would like to make efforts in such areas as the establishment of a peace guarantee in the Asia-Northeast Pacific region to promote the release of tension (detente) in Asia.

* JSP Positions, Direction Remain Unclear

902B0069A Tokyo SANKEI SHIMBUN in Japanese 31 Jan 90 Morning p 7—FOR OFFICIAL USE ONLY

[Opinion by political commentator, Taro Yayama: "Evasive 'Double Tongued' JSP"]

[Text] **New Manifesto From 1986 Lost in Space**

The relationship between Japan's Liberal Democratic Party [LDP] and Socialist Party [JSP], unlike that between America's Republican and Democratic Parties, is such that the political system is not independent of the party which holds power. If the LDP holds on to its parliamentary majority, of course the system will not change; but if the opposition takes a majority and a JSP-led government is formed, one can no longer assert that the system is immutable.

In order to avoid the problem of choosing a system, the JSP has been heavily emphasizing the doctrine of constancy. Last October, General Secretary Yamaguchi made clear his position that Japan under a coalition government with Rengo would be "part of the West." At the time of his visit to the Republic of Korea in December, he declared that in such a coalition government "the Japan-ROK Basic Treaty would be maintained." However, these words and deeds of General Secretary Yamaguchi's represent no more than Mr. Yamaguchi's personal ideas, and do not represent the Socialist Party line as decided at the party convention. It is important to stress that this was merely Mr. Yamaguchi's private play.

What is always cited as evidence that the JSP aims to be a social-democratic party of the West European type is the party's 1986 "New Manifesto." To be sure, that New Manifesto set the party in the direction of a West-European-style socialism, for example sanctioning a multiparty system, but even now after four years have passed there have been almost no changes in the party's basic policies to implement such a manifesto. In October 1988 at the "Socialist Theory Center" (Kanji Kawasaki, chairman), the JSP formally submitted for debate the reexamination of the so-called four basic policies on the Japan-United States Security Treaty, the Self-Defense Forces, relations with the Republic of Korea, and nuclear power. Although General Secretary Yamaguchi asserted that "the new Socialist Party policies will be set forth around April of 1989, before the election for the House of Councillors," these basic policies have still not been presented.

Concerning the Security Treaty, Chairwoman Doi, in the "Doi Vision" released last September, set forth the principle that under a coalition government "in the interest of continuity in foreign policy, the Japan-U.S. Security Treaty would be maintained." However, the

"Doi proposal" was later downgraded. In other words, the JSP at this time cannot officially go even so far as this.

Strong Influence of Doctrinaire Left Wing

In order to receive a South Korean visa on the occasion of his visit there in December, General Secretary Yamaguchi submitted a memorandum to the effect that "I recognize the Republic of Korea." However, upon arriving in the ROK, he switched to the position that "that memo states what would occur under a coalition government, and does not mean I recognize the Republic of Korea now"; and was harshly criticized in the Korean mass media for "double-tongued" diplomacy. Both the Security Treaty and the Japan-ROK Basic Treaty are to be "recognized under a coalition government," but the reality of the JSP is that they are not recognized now.

The Socialist Party "covenant" which stipulates the qualifications, rights, and obligations of party members contains in its preamble the words "to achieve a socialist revolution." Because this runs counter to the tone of the New Manifesto, it was "frozen" at last October's central committee meeting, and at that time the party planned to issue an amended version of the original text before the general election. With the progress toward democratization in the countries of Eastern Europe, and the fear that if changes are not made "We cannot but be affected by the 'socialism-has-failed theory,'" why has an agreement to speed up revision not been reached by the central committee?

In a nutshell, it is because of the strength within the party of doctrinaire left-wing forces which cling to their traditional leftist line. Looking at the candidates in the coming general election, we can see the abundant power of the leftists. In one district of Ms Doi's native Hyogo Prefecture, the left wing is ignoring the intentions of the party's center and supporting an independent candidate.

The Difference Between One-Party Rule and One-Party Dictatorship

In the discussions of an opposition coalition government, Komeito [the Clean Government Party] and the DSP [Democratic Socialist Party] are loudly calling for the JSP to compromise with them on the four basic questions. It seems that the intent of General Secretary Yamaguchi and his followers is to compromise as much as possible in order to bring about an agreement on a coalition government. But if they compromise too much they will encounter the resistance of the leftists who comprise a majority in the party, and they will not fail to be rebuffed by the executive committee itself. Consequently, elaboration of the party's basic policies and revision of the party covenant have been shelved, and the JSP is trying to win the consent of the Komeito and the DSP based on the "part of the West" remark and the general secretary's visit to the ROK.

There is no denying that the JSP has had as its objective socialism of the Soviet and East European variety. At gatherings such as the party conventions and conventions of the Socialist-led Japan Teachers' Union, the invited delegates have up to now all been representatives from the USSR or Eastern Europe. In the face of the upheavals in the political situations of the USSR and Eastern Europe, the JSP has lost all its "allied parties" with the exception of North Korea.

In circumstances like these, everyone feels that the JSP ought not to continue to strive for Soviet- and East-European-style socialism. However, inside the JSP the left wing which believes that "Socialism as practiced in the USSR was impure" is as powerful as ever. For that reason, the JSP has no choice but to leave unresolved the issues of the fleshing-out of the New Manifesto and the revision of the party covenant.

One cannot completely deny the possibility that the party will accumulate votes with its doctrine of constancy, keeping the Komeito and the DSP at bay, and that when it finally takes power the left wing will seize the leadership. Because that possibility cannot be denied, the coming general election is without a doubt a choice of systems.

The JSP, watching Eastern European dictatorships fall one after another, says "Let us topple the LDP's one-party dictatorship and clear the way for a bright future in Japan as in Eastern Europe," (General Secretary Yamaguchi). But is that sort of extreme language really justified?

The LDP's one-party rule is the result of the people's having entrusted them with power in a system where several parties exist and elections are free. It is precisely because the existence of multiple parties is guaranteed that Japan's opposition parties were allowed to exist, and the LDP's one-party rule (it is wrong to call it a dictatorship) differs fundamentally from the one-party dictatorial systems Eastern Europe has had up until now. To brazenly confuse these fundamentally different things is surely nothing other than demagoguery. It should be said that if the JSP says such things knowingly it is unconscionable, and if it says them unknowingly, that is nothing more than stupidity.

JCP Criticizes Japan-U.S. Summit Talks

OW0603001390 Tokyo JPS in English 0920 GMT 5 Mar 90—FOR OFFICIAL USE ONLY

[Text] Tokyo Mar 5 JPS—Mitsuhiro Kaneko, head of the Secretariat of the Japanese Communist Party [JCP], on March 4 issued a statement on the Japan-U.S. summit talks. The full text follows:

1. The Japan-U.S. urgent summit talks this time humiliated us (Japan) in that Prime Minister Toshiki Kaifu was called by telephone by President George Bush to go to the U.S. and the talks were hurriedly arranged before Prime Minister Kaifu was questioned by party representatives following his policy speech in the Diet. The content of the talks were against the world trend for

disarmament and the dissolution of military blocs. On the contrary, they made clear the position of maintaining the military blocs. The U.S. side imposed demands on Japan based on the Japan-U.S. military alliance, and the Japanese side gave commitments to share more of the costs of U.S. forces stationed in Japan and to increase strategic aid, thus revealing how deeply Japan is subjected to the U.S.

2. In his policy speech, Prime Minister Kaifu said that the effort for "a new world order...transcending the cold war approach and based instead upon dialogue and cooperation...must spread to Asia and the Pacific region." Contrary to these flowery words, in the summit talks, Prime Minister Kaifu showed his outdated attitude by clinging to the cold war system, and the confrontation between military blocs.

If he wants to transcend the cold war, he should have rejected the U.S. military demands based on the Japan-U.S. military alliance which is the product of the cold war. But he agreed with Bush to maintain the Japan-U.S. military alliance and to give increasing importance to the Japan-U.S. "global partnership" based on it. President Bush explained U.S. policy on the unification of the two Germanys, saying that a unified Germany will remain as a NATO member and the stationing of U.S. Armed Forces will continue. Prime Minister Kaifu made no objection to this.

On these premises, the Japanese side expressed its understanding of the U.S. plan to adjust its forces in Asia and the Pacific region the main reason for which are U.S. financial difficulties, "so long as it will not harm the stability of Asia," and actively accepted the U.S. demand to increase payments for U.S. forces stationed in Japan. This must not be permitted.

3. On the Structural Impediments Initiative [SII], which is concerned with economic frictions between Japan and the U.S., Prime Minister Kaifu expressed his intention "to make every possible effort for progress in these talks", regarding it as "an urgent and important issue" to be settled by his new cabinet. In this way, the prime minister has promised the promotion of the SII to the U.S. Disregarding his former remarks that he would not go into negotiations if the U.S. put pressure on by suggesting the possibility of sanctions, the prime minister was easily pulled into the ring by the U.S. with hints of invoking Section Super 301 of the U.S. Trade Act. Such an attitude is taken to avoid touching the extraordinary competitive force of Japanese big business and the U.S. "twin deficits", which are the fundamental causes of the imbalance between Japan and the U.S. This cannot be conducive to a solution of Japan-U.S. economic friction, but will only add fuel to the already outrageous pressure by the U.S.

Among it all, Prime Minister Kaifu intentionally referred to betterment of market access and maintaining a policy for deregulation. This is tantamount to a promise for deregulation of the Big Retail Stores Regulation Law, and the levying of agricultural land in urban areas on the same assessment as housing land. The prime minister also promised close cooperation in the Uruguay Round of GATT, saying that it is very important to lead negotiations to success. This is a very serious breach of promise, because he has thus paved the way to the liberalization of the import of rice.

What forms the background of the extraordinary export competitiveness of Japanese big business are long-working hours and high labor intensity, which sometimes causes "karoshi" (death from overwork)—it is so unique that the Japanese word "karoshi" is now used internationally—and the structure of low costs by oppressing small and medium sized subsidiary companies. We cannot condone such a way of doing things, because it unilaterally imposes sacrifices, resulting from the Japan-U.S. economic friction, onto small-medium enterprises, the farmers and the people, while leaving the basic structure intact. Before listening to the U.S. Government, the Japanese Government should take measures, in the people's interests, to curb the "freedom of tyranny" of big business and the low cost structure, by actively invoking the Anti-Monopoly Law and laws on subsidiary companies, and create legislation for an effective law to shorten working hours.

4. What drives Japan to accept the U.S. demands, both in the military field and in the economic sphere, as well, is the tight bondage of the Japan-U.S. military alliance.

The Japanese Communist Party strongly denounces the humiliating foreign policy of the Kaifu cabinet toward the U.S., keeping the Japan-U.S. military alliance as an untouchable framework. The JCP will resolutely advance the struggle for the abrogation of the Japan-U.S. Security Treaty; military alliance, for peace and security in Asia, and for the establishment of equal relations between Japan and the United States of America.

Defense Agency Head Interviewed on Policy Plans

OW1203114890 Tokyo YOMIURI SHIMBUN in Japanese 11 Mar 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Interview with Defense Agency Director General Yozo Ishikawa from the "Interview With New Cabinet Members" column—date, place not given]

[Text] [YOMIURI SHIMBUN] The mood of easing tensions (detente) is growing in the wake of changes in the East European situation. What are your thoughts?

[Ishikawa] I do not think that (detente) in Europe has spread to Asia in the least. However, the geopolitical and economic circumstances of Europe are different from those in Asia. In Asia, China and the Korean peninsula are in a difficult situation. There is also the Cambodian issue in Asia. The wave of democratization in Europe is not something which will immediately spread to Asia in

a chain reaction. I think it is true that the Soviet Union has reduced its forces in Asia. However, the Soviet Union has continuously built up its military capability since the 1960s and has deployed new modern weapons to the region. I think that it is questionable to say that Asia is in detente.

[YOMIURI SHIMBUN] Some Asian nations view Japan's defense buildup as a threat and feel uneasy about it. Some Diet members are expected to call for the reduction of defense spending. What do you think?

[Ishikawa] I have heard discussions of such a threat. My task will be to study which nations discuss such a threat and the manner in which they do. I believe that Japan should not pose any military threat to other foreign nations.

Regarding our nation's defense, the broad framework under the peace constitution is exclusively defensive in nature. On the premise of obtaining the people's understanding of defense, our nation's defense should be built up in line with this basic policy. I think in general there has been nothing wrong in our nation's defense policy during the 40 post-war years. I think that the importance of defense has grown in the face of the drastically changing world situation. Maintaining a defense capability requires substantial costs, and we cannot drastically cut defense spending, citing detente.

[YOMIURI SHIMBUN] What do you think of the one percent ceiling of the Gross National Product (GNP) for defense spending?

[Ishikawa] Shall I call it a spiritual brake? It is a prospect. Some people argue that the defense budget should be increased without limit. I think that it is useless to debate whether or not the defense budget should be increased beyond 0.001 percent of [the GNP].

[YOMIURI SHIMBUN] The United States is asking Japan to increase its burden for the cost of upkeep of U.S. forces in Japan. What do you think?

[Ishikawa] The United States is expecting Japan to increase its burden. Should we not meet such an expectation? We have no choice but to meet the expectation within the affordability of the defense budget even if it is difficult for us.

[YOMIURI SHIMBUN] Would you explain the reasons that Japan should meet the U.S. expectation?

[Ishikawa] It is not necessary to say. Japan has achieved its current prosperity because of efforts and cooperation between Japan and the United States. It is not wrong to meet the expectation at a time when the United States is faced with difficulty.

[YOMIURI SHIMBUN] The United States is linking defense to trade. What do you think?

[Ishikawa] If it links it thus, there is no limit. In view of U.S. fiscal deficits, it is true that (defense frictions) stem from economic problems. I think that it is unreasonable to think that defense has nothing to do with economy. However, defense should not be linked to economy in principle.

[YOMIURI SHIMBUN] How are you going to draw up the next defense buildup plan?

[Ishikawa] As to drawing up the next defense buildup plan, all government ministries and agencies, including the Defense Agency, will decide on it beginning 1991.

[YOMIURI SHIMBUN] Did you have any war experience?

[Ishikawa] I held the rank of army private 2d class in Chiba Prefecture when the war ended. I was able to resume the study of English, which I wanted very much to learn. I still remember that at that time, I thought: How nice it is to be free and live in peace.

Former Red Army Chairman Released From Prison

HK0903035890 Tokyo AERA in Japanese 27 Feb 90 p 58—FOR OFFICIAL USE ONLY

[Article by Masaaki Sanada, social reporter: "Former Red Army Chairman Released After Spending 20 Years in Jail"]

[Text] A man of sturdy build in a dark blue jacket and jeans carrying a big bag in his hands appeared at Kyoto University club-house near Kamogawa river in Kyoto.

When I asked: "Are you Mr. Shiomi?" He nodded with a slight smile. This man was the former Red Army chairman Takaya Shiomi (48).

Shiomi had been recuperating in near seclusion after his release from the Fuchu prison at the end of last December. He had attended a meeting the day before at the club-house of his old school where about 100 people, including former activists and college friends, gathered to give him support.

At the meeting, a message from the suspected hijacker Takamaro Tamiya (47), who hijacked the JAL "Yodogo" and went to the DPRK (North Korea), was presented.

I Waited for You for a Long Time at "Renoir"

The message from Tamiya read: "I waited for you for a long time at 'Renoir.' The time came and went, but you did not come. I looked in the nearby pinball house suspecting that you might be stuck playing pinball as usual, but you were not there. In the afternoon I found out that you had been arrested. I thought about what to do. Should we leave without you or should we rescue you? In the end, we came here. You had to struggle for 20 years in jail. Should we have come together? What was better?"

The Japan Red Army [JRA] was formed in August 1969. Prior to that, the seizure of Tokyo University lecture hall seven months earlier resulted in the arrests of over 600 students, and the students' movement employing staves and gasoline bombs was reaching its limits. Under the circumstances, the JRA was formed advocating "the first phase armed uprising line" and the "establishment of international bases."

However, Shiomi was arrested in March 1970 on charges of carrying steel pipe bombs in October 1969 before the international anti-war day.

Around that time, a hijacking plan named "the phoenix strategy" was already under way. In over two weeks, suspected hijacker Tamiya, along with eight others, hijacked "Yodogo" and left for Pyongyang, saying: "We are 'Jo of tomorrow.'" [as published]

The United Red Army, which was formed later, was annihilated in February 1972 after it shocked television viewers with its killing of comrades in the Asama mountain retreat incident. The Red Army thus ended its short and violent history. Later, activists who went to Palestine started a new line of activities and called themselves the JRA.

The message from Tamiya was two and a half pages long, with an appeal to: "join forces to become much stronger than we were 20 years ago; strengthen our resolve and fight for a new human century."

To this, Tamiya said: "I do not deny the possibility that we may soon struggle hand in hand," stating his joint stand with Tamiya.

However, Shiomi seems to first want to catch up with information missed over the past 20 years.

When asked about the United Red Army incident, he said: "I will summarize it some day. Please do not ask any questions now."

His life in prison resembled the world of Joji Abe [essayist]. He was moved into an isolation cell after spending 13 years in confinement. He was allowed to write a letter a month, limited to 7 sheets of paper per letter. Moreover, his prison guard demanded that he show him the drafts of the letters that he wrote. He was not allowed to exercise to ease his sore back. He repeatedly protested and was punished, and had been classified as a red badge which indicates a prisoner who is harshly treated in the prison cell.

When he was moved to work in the factory, which is no less than a general hard labor prison, he met and became friends with gangsters. He enjoyed watching television twice a week. Ten months before his release, he was allowed to watch movies such as "Tough To Be a Man," "E.T.," and "Rocky."

I Would Like to Continue the Work of Kyuichi Tokuda

He thought about socialism long and hard while in the isolation cell, and arrived at a conclusion—humanism. These days he advocates "socialism containing humanism and democracy." At the conclusion of the interview, he said: "Kyuichi Tokuda is the only communist in Japan from whom we should learn. I would like to continue his work."

When Shiomi was active years ago, the main streets of Kyoto were always filled with demonstraters.

I went to Yoshidayama city near Kyoto university to find a snack bar Shiomi used to visit. It stood by the lantern-lit stone steps of Yoshida shrine. The deceased owner of the snack bar was an old-time activist and was Shiomi's predecessor. The man used to take care of him whenever he was befuddled due to drinking. The streets that used to be lined with boardinghouses now have apartment buildings and one-room mansions.

Japanese Red Army Terrorist Active in Europe

OW0703051390 Tokyo YOMIURI SHIMBUN in Japanese 5 Mar 90 Morning Edition p 31—FOR OFFICIAL USE ONLY

[Text] According to information obtained by the National Police Agency and other public safety authorities as of 4 March, former Nihon University student Masao Adachi (50), a cadre of the Japanese Red Army wanted on suspicion of committing an act of violence, has been getting in and out of European countries using a forged passport. He made contact with a member of the Palestinian guerrilla organization, the PFLP-GC (Popular Front for the Liberation of Palestine-General Command faction), in Hungary in November 1989 and handed over explosives. The PFLP-GC is a militant organization strongly suspected of being involved in the explosion of a Pan-Am jet over Scotland, Britain, in December 1988. Public safety authorities suspect that the Japanese Red Army intends to engage in similar bombing and terrorist activities and are on full alert against such an eventuality.

According to the public safety authorities, Adachi started to become active in March 1989. Using a false Japanese passport, he traveled from Lebanon via Syria and other countries to the various European bases of the Japanese Red Army in Yugoslavia, Austria, and Switzerland.

The false passport is believed to have been forged from one of the 10 passports stolen from Japanese tourists in Madrid, Spain, in February 1986. Using this as a clue, the public safety authorities have been tracking Adachi's moves. For a time, the hotel where he stayed was tracked and government officials were sent, creating a tense situation.

Moreover, it was learned that Adachi made contact with an Arab man on a street in Budapest, the Hungarian capital, and handed over a small plastic bag in early

November 1989. Collating information from public safety authorities in various countries, it was confirmed that the man was a leading member of the PFLP-GC and the bag contained powerful explosives.

The PFLP-GC is a faction which separated itself from the PFLP (Popular Front for the Liberation of Palestine). It is one of the core organizations of Palestinian guerrillas and has its headquarters in Damascus, Syria. It is a radical group which advocates "combat rather than politics." Several of its members are strongly suspected of being involved in the explosion of the Pan-Am jet, which killed 270 people, and the group has also been implicated in numerous terrorist incidents.

The Japanese Red Army has been reported to have close ties with the PFLP-GC through military training and other activities. The public safety authorities believe that Adachi's conspicuous moves show that Red Army-PFLP-GC cooperation is being strengthened and the Red Army is inclined toward terrorist acts using explosives. Moreover, in view of Adachi's secret trip to Budapest, which coincided with ROK President No's visit to Hungary in mid-November 1989, the public safety authorities believe that there is a possibility that terrorist operations might have been planned against President No.

The Japanese Red Army regards the present regime in the ROK to be a "military dictatorship" and to have "formed a counterrevolutionary alliance with Japan and the United States." It called for sabotaging the Seoul Olympics. It has been learned that the Red Army is aiming at establishing support organizations in the ROK.

President No is scheduled to visit Japan in May or June this year. The public safety authorities are taking strong precautionary measures, such as by checking the entry and exit of suspicious individuals and reinforcing security at foreign missions.

Adachi is wanted by the Hokkaido police on suspicion of committing a violent act by destroying a statue of Shakushain [a 17th Century Ainu chieftain who led a rebellion of Ainus against the Edo government] in Shizunai-cho, Hokkaido, in September 1972. He fled Japan in 1974 and joined the Japanese Red Army based in the Al-Biqa' highlands in Lebanon. He is believed to be a core member of the organizational committee in charge of expanding support organizations and conducting external propaganda.

Opening Satellite Market Said 'Out of Question'

OW0503070190 Tokyo NIHON KEIZAI SHIMBUN in Japanese 2 Mar 90 Morning Edition p 4—FOR OFFICIAL USE ONLY

[Text] During an interview with NIHON KEIZAI SHIMBUN on 1 March, Post and Telecommunications Minister Fukaya discussed the issue of the procurement of aritificial satellites from the United States. He said: "During the recent meeting of experts, we proposed that the work on the next term communications satellite (CS4) be divided into experimental and application areas, with the options for the latter being kept open. We are seeking U.S. understanding on this position." He thus disclosed that, with respect to the research and development area, the current policy regarding the domestic production of satellites will be maintained.

He tried to rein in the U.S. side by saying: "In order for Japan to adapt to the space age, it is out of the question to open even the development area. Mutual understanding of each other's views is important. I am not impressed with the attitude of not doing this and threatening to implement the Super 301 (on the identification and sanction of unfair trading countries and practices). However, he pointed out that, with regard to the Japanese proposal, "there is a need for the Japanese side to make a more explicit distinction between application and development, as the U.S. side is demanding."

Prime Minister Interviewed on Visit to Japan

OW0703044590 Tokyo SANKEI SHIMBUN in Japanese 4 Mar 90 Morning Edition p 3—FOR OFFICIAL USE ONLY

["Summary" of remarks made by Mongolian Premier Dumaagiyn Sodnom in an "exclusive" interview with SANKEI SHIMBUN at the Royal Hotel in Osaka; date not given]

[Text] **On the No. 18 Fujisan-Maru Issue**

The Mongolian People's Republic has been maintaining friendly relations with North Korea (DPRK). We also want to continue to develop our relations with Japan. In this connection, I am prepared to extend all-out cooperation for the development of friendly relations between North Korea and Japan. Meanwhile, at the same time we have no intention of interfering in Japanese-North Korean relations.

On the Total Withdrawal of Soviet Troops from Mongolia

At the negotiations between Mongolian and Soviet authorities held from 28 February to 1 March, an agreement was reached on the total withdrawal of Soviet troops stationed in Mongolia by 1992. This is the result of the "reform and renewal" now being promoted in Mongolia, and of the perestroyka (restructuring) of the Soviet Union. With regard to the total withdrawal, both countries solved the problem by peaceful means, through dialogue. From this point of view, I can say positively that this withdrawal will neither jeopardize the interests of third nations nor have any effect on them.

On Relations With Japan

During my visit to Japan this time, bilateral cooperative relations were established following a meeting with the emperor and talks with Japanese officials, including Prime Minister Kaifu. In particular, I believe that we managed to pave the way for the future development of economy and trade between the two countries. We concluded a trade pact and an agreement on aid without compensation for the construction of a small steel mill, and so forth. I am satisfied with these results of my visit. At the same time, I would like to extend my appreciation to the Japanese Government and the Japanese people for their efforts to further bilateral relations.

On Chairman Batmonh's Visit to Japan

At present, there is no plan for Batmonh, the Mongolian People's Revolutionary Party general secretary and concurrently chairman of the People's Congress Presidium, to visit Japan. To my great pleasure, I was able to meet the emperor during my recent visit. At that time, I handed to the emperor an invitation from Chairman Batmonh to visit Mongolia.

First Round of Sodnom-Opposition TV Debate

OW1003004290 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1605 GMT 9 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 8 March (OANA-MONTSAME)—The first round of a political dialogue between all political forces of Mongolia ended at the Central Studio of the Mongolian National TV. The participants in the meeting were D. Sodnom, Politbureau member and chairman of the MPR [Mongolian People's Republic] Council of Ministers, and his deputy D. Byambasuren, and the leaders of the Mongolian Democratic Association (MDA), Mongolian Democratic Party (MDP), Social-Democratic Movement (SDM) and the Social-Democratic Party (SDP) the New Progressive (?Movement) (?NPM), and the Union of Mongolian Students (UMS). [words indistinct]

The meeting and its live broadcasting were the results of an agreement achieved by D. Byambasuren, who this morning walked out into the Sukhe Bator Square where MDA activists started yesterday a hunger strike, and the leaders of the above organizations.

The participants in the meeting discussed the joint demands of the opposition groups concerning the calling of an extraordinary ruling party congress for deciding the issue of separating the party from the state, and the formation of a provisional people's hural for working out a new constitution of the MPR.

During the dialogue, D. Sodnom and D. Byambasuren recognized the necessity of switching to a multiparty system and radically renovating the ruling party and pointed to the similarity of the stands of the MPRP [Mongolian People's Revolutionary Party] and opposition groups on these issues.

D. Byambasuren noted that the plans of the MPRP to call in four days (12 March) an MPRP Central Committee plenum for considering the question of an extraordinary party congress were quite acceptable to all sober-minded political forces in the country.

Both government officials said that the formation of a provisional people's hural in the period when the term of power of the Great People's Hural (GPH) elected in 1986 has not yet expired would mean a violation of the Constitution.

The MDA chief coordinator S. Dzorig and other opposition leaders, in particlar D. Ganbold from the NPM and N. Gonchigdorj from the SDP, emphasized that the current GPH had not been elected on a genuine democratic basis and that it was an instrument in the hands of the ruling party. In their opinion, the composition of today's GPH was incapable of working out, appraising and passing new laws, that is, of discharging its main function.

D. Sodnom proposed to unite efforts in a joint commission for writing a new constitution, and the laws on

elections and political parties. His opponents turned down this proposal and said they wanted namely a provisional people's hural which would involve all the political forces in drafting a new constitution and would ensure a "normal transition from the system of dictatorship to a democratic one".

The sides agreed to meet tomorrow.

Secretary General Bold of the Union of Mongolian Students said on behalf of his organization that he was not satisfied with the outcome of the meeting. Therefore, he stated, we will carry out our plan of action. This plan envisages students joining the hunger strike.

Poll Conducted Among Participants at 4 Mar Rally

OW0603024690 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1410 GMT 5 Mar 90—FOR OFFICIAL USE ONLY

["Who Participates in the Meetings Organized by Non-Formal Organizations and Why?"—MONTSAME headline]

[Text] Ulaanbaatar, March 5 (OANA-MONTSAME)—The aim of an opinion poll, carried out by the press agency "MONGOLPRESS" among the participants in the most crowded rally, which was held yesterday on March 4, in the Mongolian capital, was to know who takes part in the meetings organized of late by non-formal organizations and why?

67 percent of (?the meeting participants) who were questioned, came to attend the meeting organized by the three non-formal organizations together with the Union of Mongolian Students, in order to support these organizations. 78 percent of the participants had known about this meeting from the leaflets and only 5 percent had known about it through information.

64 percent of the participants support the Mongolian Democratic Association [MDA], 13 percent the Social-Democratic Movement, and three percent back the New Progressive Union. 14 percent are not going to support any of them.

On the question of which of these political organizations encourages more trust, 49 percent called [for] the Mongolian Democratic Association and the Democratic Party, functioning in this association. 15 percent called [for] the Mongolian People's Revolutionary Party [MPRP] and 9 percent spoke for Social Democrats and 5 percent expect new political parties.

58 percent of those who were questioned are the people at the age between 25 and 35. 35 percent are intellectuals. 52 percent hope more that MDA is to play important role in realizing the restructuring. [sentence as received]

34 out of 69 MPRP members, questioned, came to express their support to the organizers of the rally. 39 of them back the MDA out of three non-formal organizations and 20 believe in their party. 16 MPRP party members spoke for cooperation between the MPRP and MDA and 15 prefer [it] to MDA and the Democratic Party.

MDA Members Hold Hunger Strike Protest

OW0803040290 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1623 GMT 7 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 7 (OANA-MONTSAME)—A group of General Coordination Council (GCC) members of the Mongolian Democratic Association (MDA) has started here today on March 7 a hunger strike in the Suhbaatar Square.

According to T. Elbegdorj, the 27-year-old leader of the hunger strike committee and also a member of the Presidium of the MDA GCC, this action is being held to protest the official reply of the country's leadership to the demands of the MDA and other unofficial organizations. Apart from the MDA, these are Social Democratic Movement (SDM), the New Progressive Union (NPU) and also the Union of Mongolian Students (UMS). Last Sunday, March 4, they called a mass rally where they issued a joint statement demanding to immediately convene an extraordinary congress of the ruling MPRP [Mongolian People's Revolutionary Party] and set up a provisional people's hural in order to form a new state leadership through a democratic way.

The official reply of the MPRP CC [Central Committee] Politbureau and the Presidium of the Great People's Hural (GPH), broadcast late last night, confirmed the stand of these bodies to the effect that the MDA-demanded dissolution of the GPH is an issue to be solved only by the nation as a whole and by its highest body, i.e. GPH session, slated for 21 March.

The hunger strike will be discontinued only if the current leadership fixes official date for the MPRP Extraordinary Congress and for the formation of the provisional hural with an equal participation of all political forces, T. Elbegdorj stated. He also said that other unofficial organizations would undertake "resolute action" in solidarity with the MDA.

According to T. Elbegdorj, the current party and state leader Jambyn Batmonh would satisfy the MDA in capacity of the head of state.

Commentator on MPRP Extraordinary Congress

OW1103114890 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0943 GMT 11 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 10 (OANA-MONTSAME)—Commentator of the national daily "UNEN" stresses that the statement made by Jambyn Batmonh, general secretary of the MPRP Central Committee and chairman of the Presidium of the MPR Great People's

Hural on the question of the party extraordinary congress and the resigning of the present party Central Committee [CC] Politbureau at the forthcoming party CC plenum has attracted everybody's attention. The renewal of the party's leadership should have substantial significance for appropriate preparation to the congress, which is called to discuss urgent problems related with the renovation of the party at large and formation of new composition of its Central Committee, said "UNEN".

Radically new political transformation takes place in the country, points out the commentator, among which there emerged different unofficial unions, organisations and movements and have held rallies, demonstrations and undertook other actions. Leaders of some organisations went on hunger strike for satisfying their demands. The ruling MPRP re-affirmed in practice that she is acting for the sake of the people and called to do the same upon new parties, unions, and other organisations.

There is no better way than to discuss the settlement of urgent problems with the people. In this aspect, the holding of the nation-wide referendum on the vote of confidence to the present People's Great Hural is of specific importance. Interests of the people demand political settlement of the problems, the paper stressed.

Associations Meet To Support Ruling MPRP

OW1103115390 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1020 GMT 11 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 11 March (OANA-MONTSAME)—A number of public associations uniting grass-roots full and candidate members of the ruling Mongolian People's Revolutionary Party (MPRP), and non-party members, held today a meeting at the science, technology and culture house here. All these groups are coming out in defence of the MPRP.

The speakers there demanded from the opposition forces to stop talking on benalf of "the people" and expressed their resolve "to fight for the revival of the party founded by D. Suchbaatar" (the national revolutionary hero), and "to defend the interests of herdsmen, workers and landfarmers". They qualified the decision of the MPRP CC [Central Committee] Politbureau to resign as "a manifestation of patience and sober mind in a precarious situation" and "a confirmation of the party's potential for self-renovation".

Among the participants of this meeting were the representatives of a new association "Suhbatayn Duudlaga" (Suhbaatar's capl) [as received]. Yesterday, on 9 March, it urged the MPRP Central Committee members to call immediately a plenum, separate the party from state, dissolve the curent Politbureau and convene an extraordinary party congress. They claimed that the implementation of these demands identical to those of the opposition forces, was the only way of a radical self-renewal of the ruling party.

Ruling Party, Opposition Hold News Conference

OW1103121490 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0945 GMT 11 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 10, (OANA-MONTSAME) The Foreign Ministry of Mongolia has held today a press conference for Mongolian and foreign journalists which was attended by the representatives of the ruling MPRP [Mongolian People's Revolutionary Party], Mongolian Democratic Association (MDA), the Democratic Party (DP), the Social-Democratic Movement (SDM), the Social-Democratic Party (SDP) and the Union of Mongolian Students (UMS).

Speaking to the question of the Soviet "IZVESTIYA" newspaper correspondent whether the leadership of the ruling MPRP has hurried up with making the statement on resigning yesterday, D. Tsahilgaan, head of the department of the MPRP who represents his party at the press conference said that the MPRP has energetically started self-renovation. Renewal of the MPRP from its leading role in the society has laid basis for the cooperation with all political forces. D.Tsahilgaan said that "resigning of the party Central Committee Politbureau is a fact which does not get out of the limits of the natural course of events". This is a capitulation but an example of sober-mindedness and of the desire to set up every condition for the cooperation and stable national unity, he said.

To the questions of the journalists, the leader of the MDA S. Zorig said that [words indistinct] the MPRP Central Committee Politbureau will be preserved in the present capacity at the forthcoming party plenum, the prestige of the party and of its central committee will be seriously affected and its political force will be more greatly damaged.

Speaking about setting of a provisional People's Hural as a transitional mechanism for forming new structure of the state management, he said that self-dissolution of the PGH [People's Great Hural] at the coming session would be the most effective and expenseless way than the holding of nation-wide referendum on the vote of confidence to the present [word indistinct].

Differentiation of the party activity from the state functions we consider a basic task to renew the party, said D.Tsahilgaan.

The leaders reaffirmed their postions concerning a head of the state in the present period of political developments in the country. In their opinion, they see the candidature of Jambyn Batmonh who demonstrated himself "for these months as a reasonable and realistic politician" as a most suitable one for the post of the head of state.

L. Stahilgaan, S.Zorig and other representatives of the political forces answered the questions of the newsmen.

Further on Batmonh Report to Party Plenum

OW1203175190 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1727 GMT 12 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 12 March (OANA-MONTSAME)—"At the previous plenum of the MPRP [Mongolian People's Revolutionary Party] Central Committee [CC] we talked much about the urgent social problems and some contradictions arising in the course of restructuring and renovation. Though it is only three months since the last plenum, the events that have taken place in the life of the country in this short span of time showed that above-mentioned actions and conclusions were correct", said Jambyn Batmonh, MPRP CC general secretary, at the regular plenum of the MPRP CC, opened today on March 12 in Ulaanbaatar.

He made a 40-minute key-note report.

Different unofficial organizations and movements have emerged in Ulaanbaatar and some other towns and rural centres, he noted.

He said it was not accidental that some parts of Mongolia's working people have started upholding their views by joining into different movements and organizations in the period when restructuring and renovation are under way in the country and particularly when democracy and openness are developing. "[Words indistinct] means, first of all, to get rid of stereotypes and out- dated methods. That's why the 5th Plenum of the MPRP Central Committee (1988) strongly criticized deformations and distortions, which have taken roots in the social life of the MPR [Mongolian People's Republic] during many decades", he pointed out.

"Pluralism of views is developing. However, there are no grounds to say that emotions do not go far", the Mongolian leader said. He stated that the most important reasons causing the current political fermentation in society were "the bureaucratic, administrative-command system which dominated the country's socio-economic and spiritual life for many years and the deformations and distortions entailed by it. However, one should not understand our entire history as a history of only deformations and errors", he said.

J. Batmonh noted that "one should not blame the whole of the party for errors committed by H. Choibalsan and Yu. Tsedenbal. Despite the mistakes, errors and distortions, the party has fulfilled its role of the vanguard force of society in the past little less than 70 years. It should be mentioned specially that the party has never deviated from its general line and today it adheres firmly to the policy of restructuring," he said.

Noting that the earlier unknown, for this country, meetings and rallies caused some anxiety among the working people, J. Batmonh pointed out that "from the very beginning the party and government have treated the developments in the country with attention and endurance. At all levels we regard it logical to act within the framework of the MPR Constitution", J. Batmonh underscored.

"We are guided, first of all, by the striving to support positive proposals which can contribute to the restructuring and to facilitate free exchange of views on disputed problems and mutual understanding", he stressed.

"Despite the existing difficulties we do not think that Mongolian society is in a deep political, economic and spiritual crisis, but the danger of a crisis situation will grow real if the implementation of restructuring is not intensive", the Mongolian leader stated.

He emphasized the justness of the criticism addressed to the MPRP Central Committee by rank-and-file party members and working people because of the former's slugggishness. "A group of scholars who are MPRP members and some workers recently had their views containing a just and critical assessment of the current situation in the party published in UNEN paper. They stated, in particular, that when a need arose to renew the party itself with due regard for the situation in the country, the bureaucratic forces in local party apparatuses adopted a passive and wait-and-see position. But they also expressed their confidence that the party can renew itself, as those who are striving to speed up the restructuring processes are found in every party organization. The MPRP Central Committee receives many letters of similar content", he noted.

J. Batmonh said that the majority of party organizations of Ulaanbaatar, where more than one third of all party members are concentrated, demanded to call an extraordinary MPRP Congress, defend the prestige of the party and accelerate the rates of the work on its renewal.

Plenum Discusses Congress, Role of Party

OW1303113290 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1018 GMT 13 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 12 (OANA-MONTSAME)—The first day of the party plenum which opened here today, has heard the report by J. Batmonh, general secretary of the MPRP [Mongolian People's Revolutionary Party] Central Committee and chairman of the Presidium of the MPR [Mongolian People's Republic] Great People's Hural, "on the current political situation and conclusions proceeding from it".

The plenum dicusses the question of calling an extraordinary party congress and a proposal on amending a provision in the MPR Constitution concerning the leading role of the party.

The organisational issue discussed at the plenum consists of three parts related to the proposed resignation of the MPRP Central Committee Politbureau and of the Secretariat in full composition, to renewing the Central

Committee membership and to the election of new Politbureau and Secreteriat.

The last item of the agenda envisages the discussion of a proposal to nominate candidatures for the posts of the chairman of the Presidium of the Great People's Hural and the chairman of the MPR Council of Ministers for subsequent consideration at the session of the national assembly (started for 21 March).

18 members of the party Central Committee, among them public prosecutor of the MPR J. Baljinnyan, B. Livsantseren, the chairman of the Mongolian Trade Unions' Central Council, and Defence Minister L. Molomjamts spoke at the plenum.

The plenum will continue its work tomorrow.

Batmonh Submits Party Renewal Plan to Plenum

OW1303122690 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1018 GMT 13 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 12 (OANA-MONTSAME)—With a new situation in the political life of the country, Jambyn Batmonh, the general secretary of the M.P.R.P. [Mongolian People's Revolutionary Party] Central Committee and chairman of the Presidium of the M.P.R. [Mongolian People's Republic] Great People's Hural submitted a number of proposals to the current 8th plenary meeting of the Party Central Committee to consider.

Having analysed the country's political situation, said J. Batmonh, the Politbureau deems it essential to consider at the plenum a proposal for calling the party's extraordinary congress on April 10th this year and to renew the composition of the present top party leadership. There is no split neither principal controversies in the party and its leadership. [sentence as received] While tabling such a proposal at this plenum we proceed from the sociopolitical situation of the country and from the necessity to enhance the party leadership with a fresh force, J. Batmonh emphasized. He proposed to form a preparatory commission for the extraordinary party congress. He said it would be expedient to include into it not only people from the Central Committee and the Central Auditing Commission, but also rank-and-file party members.

The Mongolian leader proposed the party to refuse from the constitutional guarantees of its leading and guiding role. [sentence as received] This does not mean, he said, that the M.P.R.P. is discarding its obligation to be the vanguard force of Mongolian society. Jambyn Batmonh said that "the M.P.R.P. would prove its right to be a vanguard force in society by its activities for the brighter future of the Mongolian people, for the sake of man".

In this connection the Mongolian leader considers it expedient for the current plenum to submit to the Great People's Hural of Mongolia a proposal for making corresponding amendments in the text of the country's constitution.

The party general secretary then made a proposal to dissolve the Politbureau and the Secretariat of the M.P.R.P. Central Committee in full composition and expressed the hope that the plenum would positively respond to it. He noted the importance of forming a new Politbureau staff from competent and able-bodied members of the Central Committee experienced in party and state work.

J. Batmonh suggested to work out a draft constitution of the M.P.R. with the participation of the representatives of all democratic forces for subsequent consideration on [words indistinct]. At the same time he said it would be justified to move the date of the Great People's Hural to 1990 (earlier scheduled for 1991) and to submit the draft constitution to the newly formed National Assembly.

The Mongolian leader said it would be appropriate to separate party and state leaderships from each other at all levels. The above measures, he said, would become a qualitatively new contribution to expanding the basis for democratizing the people's state, radically renewing its organizational structure and creating a genuine people's power.

Yet another proposal of the M.P.R.P. Politbureau is to set up at this plenum a working group for re-examining the cases of some Central Committee members and leading party functionaries who were criticized at Party plenums and hear its report on its findings at the next party Central Committee plenum.

Plenum Continues To Consider Politburo Resignation

OW1403085290 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0441 GMT 14 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 13 (OANA-MONTSAME)—The 8th party plenum opened here yesterday continues its work. It discusses the report made by Jambyn Batmonh, general secretary of the party Central Committee and chairman of the Presidium of the MPR Great People's Hural.

The plenum is considering the principal questions of calling an extraordinary party congress, dissolving the present Central Committee Politbureau and the Secretariat and of deleting from the MPR Constitution provisions guaranteeing the leading and guiding role, for the MPR [Mongolian People's Revolutionary Party]. The full and candidate members of the party Central Committee underline in their speeches at the plenum that the party's prestige, its renovation and further development of the political situation in the country will depend to a large extent on the decisions of the current plenary meeting.

"The Communists and the people of the country [word indistinct] great hope on the plenum, that it will make wise decisions meeting their basic interests," said B. Eldeb-Ochir, first secretary of the party committee of Tob Province. The renewal of the party is a paramount task for today. The mistakes and short-comings accumulated for many years in the leading and organisational work of the party have belittled its prestige, he stated.

B. Eldeb-Ochir criticized some "extremist tendencies" on the activities of the Mongolian Democratic Association (MDA).

B. Lubsantseren, MPRP CC member and chairman of the Central Council of Mongolian Trade Unions, supported the proposal for the Politbureau resignation. Emphasizing the decisive role of the trade union movement in the realization of restructuring in the country the TU leader stated the readiness of his organization to cooperate with all political and democratic forces in the country.

D. Dabaatseren, MPRP CC member and first party secretary of Gobi-Altai Province expressed himself in favour of the resignation of the Central Committee Politbureau and the Secretariat in full composition. I think this is a self-evaluation of the Politbureau made with regard for the present situation in the country and within the party, he said.

Of the same opinion was T. Enhtur, MPRP candidate member and the leader of the party organisation of Ubs Province. However he protested against all deformations and errors being ascribed to the party alone. He said it was necessary to resolutely renew the bodies of state power. T. Enhtur accused new political parties and movements of usurping the right to speak on behalf of the people.

TU Members Urge Council Presidium To Resign

OW1103122690 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1010 GMT 11 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 10 (OANA-MONTSAME)—The representatives of an "initiative association" for renewing the Mongolian TU's [Trade Union's] set up here in Ulaanbaatar have handed in a petition to B. Luvsantseren, the chairman of the Central Council of the MTU's.

The TU activists in this document urged the calling before March 15th of the plenary meeting of the MTU Central Council and full resignation of the Central Council's Presidum at it.

They also demanded to set up a special commission for the congress, with the participation of all interested forces, including the rank-and-file TU members and hold the congress next month. The preparatory commission should be in charge of power of the MTU Central Council until the beginning of the congress.

"The initiative association" has emerged from a working group engaged in drafting the MTU rules and its organisational structure. In the process of work the group has come to the conclusion that these measures will not effectively influence the principal renovation of the TU and its activity. According to the group, MTU's old status which was "an obedient doer of the will of the party and government" should be changed. Their point of view they acquainted to the leadership of the MTU, claiming it of being sluggish and of being unable to appreciate the initiative and capability of rank-and-file TU members as well as of occupying a passive and wait-and-see position in this specifically important and complicated period of the country's life.

New Trade Union Association Issues Statement

OW1403091690 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0450 GMT 14 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 13 (OANA-MONTSAME)—The Central Council of Mongolian Trade Unions, in spite of implementing resolute changes in its activities, underestimates the efforts and possibilities of its hundreds of thousands members and is lagging far behind the restructuring process in the country, reads the statement of the "Initiative Association" for renewing Mongolian trade unions.

The association has recently handed a petition to Chairman of the Central Council of Mongolian Trade Unions [MTU] B. Lubsantseren, which demanded an earliest call of the plenum of the MTU Central Council and resignation of its presidium and an announcement of the date of a TU congress. In its statement the association blames the MTU Central Council leadership that in its reply it rashly used the mass media in order to show itself as the force capable of turning the TU into free trade unions. It concerns the TV speech of B. Lubsantseren where he stated on the necessity of founding free trade unions.

The association for renewing MTU officially states that if the trade union movement splits in the country, then the MTU Central Council and its leadership are to bear all responsibility for it. The current leadership of the MTU Central Council is incapable of renewing TU activities. And this has been proved by the last plenums, notes the statement of the Association for Renewing Mongolian Trade Unions.

Renewal Organization Head Holds News Forum

OW1203130690 Ulaanbaatar MONTSAME in English 12 Mar 90 -- FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 11 March (OANA-MONTSAME)—The Mongolian restructuring is living through a complicated period and the process of the formation of society's democratic structure has started in the country, said Doctor of History K. Zardyhan, leader of the "Initiative Council of Forces for the MPRP's Renewal," at a press

conference today. It [words indistinct] other members of this council which was officially set up yesterday.

K. Zardyhan emphasized that in order to occupy its place in the emerging political system of the country the ruling Mongolian People's Revolutionary Party [MPRP] should be radically renewed. He accused the present MPRP Central Committee [CC] and its apparatus of losing initiative. "Conservative forces are being active in the party whereas the pro-perestroyka forces still lack organization", Dr. K. Zardyhan pointed out. Speaking about the 8th MPRP CC Plenum due tomorrow, he stressed that the present Central Committee was not capable of coping with the crisis situation, and that the calling of extraordinary party congress was crucial. "The Initiative Council" intends to send a message to tomorrow's plenum with a demand to convene such a congress. In case of negative reaction the council is going to take upon itself the initiative of calling this extraordinary congress in line with the MPRP rules.

K. Zardyhan emphasized that the [words indistinct] strongly against "a schism in the party". "We are not a faction", he said.

K. Zardyhan, Doctor of Economy T. Davaadorj, Candidate of Philosophy T. Gombosuren, Foreign Ministry department head and Candidate of History J. Choinhor and other members of the council are all MPRP members. A couple of days ago they had published their versions of the MPRP programme and rules which strongly differ from the currently effective analogues.

MDA Initiates Rally for Buddhist Believers

OW1203131590 Ulaanbaatar MONTSAME in English 12 Mar 90 -- FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 11 March (OANA-MONTSAME)—A mass rally of believers took place here today at the Choijin-Lama Museum-Temple on the initiative of the Mongolian Democratic Association (MDA). Among its participants were believers who arrived from a number of provinces.

The speakers at the rally called for uniting efforts for enhancing the influence of religic .s ideas on moral and spiritual education of people, including the younger generation. They stressed that owing to its profoundly humane and democratic essence the Buddhist teaching did not run counter to the ideas of socialism. The speakers expressed themselves in favour of reviving traditional religious rites which are closely connected with the customs and life-style of the herdsmen and urged the inclusion of classes on religion in the school curriculum.

The forming of two new organizations—the World Union of Mongol Peoples and the Union of Mongolian Believers—was announced at the rally.

The participants in the rally adopted a petition to the forthcoming session of the MPR [Mongolian People's Republic] People's Great Hural [PGH] (the highest legislature). It proposes to consider the following issues during the session: to pose at the level of state policy the question of reviving religion and to allow clergymen to be nominated as candidates to deputies of the PGH during elections. Apart from this, the petition stresses the need to transfer the board for religious affairs from the Council of Ministers to the People's Great Hural.

Patriotic Unity Front Holds Constituent Meeting

OW1103123290 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1000 GMT 11 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar. 10 March (OANA-MONTSAME)—A constituent meeting of the Patriotic Unity Front of Mongolia (PUFM) took place here today.

According to writer L. Huushaan, an initiator of the PUFM, the goal of the organization is to unite all the forces working for democracy, national unity and the restructuring. "In our activities we will uphold the principles of consolidation of efforts, mutual understanding, political dialogue and cooperation, while avoiding confrontation and polarization of stands. However, this does not mean we renounce effective forms of political struggle", L. Huushaan said.

The participants in the constituent meeting discussed the "guidelines of the political platform" and temporary PUFM rules. The two documents will be effective until the first PUFM congress is called.

The meeting sent a telegramme to the leadership of the country. It qualified yesterday's decision of the Central Committee Politbureau of the ruling Mongolian People's Revolutionary Party to resign as "a resolute and bold step aimed at safeguarding national unity". Another PUFM telgramme addressed to Mongolia's new political movements which jointly demanded and achieved the resignation of the country's political leadership, said that their accomplishment was "a great victory of democracy".

The initiators of the PUFM are prominent representatives of the country's scientific, literary, journalistic and artistic circles.

New Rural Union Seeks 'Democratic Society'

OW1203181790 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1731 GMT 12 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 12 March (OANA-MONTSAME)—Participation in building a humane and democratic society in the country, concentration of the efforts of all political forces and the entire people on eliminating the backwardness of the agrarian sector and the protection of vital interests of the rural population are the objectives of the newly set-up Mongolian Union of Livestockbreeders and Crop-Growers (MULCG), which today

issued an appeal to the Mongolian people, political parties and forces of the country.

The appeal says that the MULCG supports on the whole the ideas of the political declaration, adopted the other day by political forces of Mongolia.

MULCG undertakes a responsible duty to participate in working out the draft constitution of the M.P.R. [Mongolian People's Republic] and the draft law on the elections of deputies of People's Hural in order to reflect in them the interests and aspirations of livestockbreeders, crop-growers and all rural workers.

The union calls upon organizations, movements and other forces to unite in the struggle for safeguarding the rights of the farming community, the appeal notes.

Balhaajab on Socialism, Nonformal Organizations

OW0803033090 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1550 GMT 7 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 6, (OANA-MONTSAME)—The national daily "UNEN" published an interview by T. Balhaajab, secretary of the MPRP [Mongolian People's Revolutionary Commmittee] Central Committee.

Speaking about the destiny of socialism, T. Balhaajab said that different definitions such as humane, democratic, developed, real, etc were added of late to the term socialism. Certain countries are trying to avoid the term "socialism" or "communism". This is, most probably, related to an influence of stereotypes, errors and distortions which dominated for years in a number of countries.

"I believe," T. Balhaajab said, "that socialism is an early stage of communism, of that great historical process so natural for the development of humanity". "This process should soak up everything that is the best achieved by human society. The matter is not in definitions and terms, the more so as this process might have different versions," he said.

"We must make the notion of 'socialism' being free from the outdated schemes considered to be unshakable, of an idea that socialist concept could depend upon the standard of development, historical, national and other peculiarities of a certain country", T. Balhaajab noted.

"A man of labour, a master of power, property and of his destiny should be one of the specific prerogatives of socialism. [as received] History will confirm the ability of this master in attaining progress and development. Socialism could succeed in Mongolia on the basis of the unity and wisdom of the people and an accelerated development of this political and social activity", said T. Balhaajab.

Answering the question of the MPRP attitude to nonformal organizations, the party secretary said that he was surprised by the numerous party, state, cooperative, trade union, women's and other public organizations which emerged in the past 70 years in a country with such a small population. Of late they are added by new ones—nonformal associations, unions and even parties.

T. Balhaajab said that the party Central Committee confirmed its attitude towards these nonformal organizations. The MPRP, he pointed out, sees that the overwhelming majority of the members and supporters of these organisations are youth. Therefore, the MPRP will hold with them a dialogue, and will help and warn them against taking rash decisions.

As T. Balhaajab underlined, the revolutionizing ideas of restructuring have played a substantial role in awakening the working people's social and political activity. Learning from the past and present lessons and searching for the new are becoming a truly spiritual potentiality of the masses. I don't want obligatorily link it with the party's activity and make the so-called "sharing". [as received] The major purpose is to carefully respond and sensibly undertake everything that is meeting national interests, traditions, development and progress of the people.

The MPRP has no other interests than the interests of the Mongolian people, said T. Balhaajab. There was a time when every success scored by the people was connected with the party, should not blame the party in every error and misfortune. It would be a mistake to say that the party experiences a deep crisis. Even now the party is monolithic, is full of energy and is confident in the future. She will be very strict to its own activities, will make conclusions of its mistakes and solve the tasks of its transformation. In any case, the MPRP will be a party of development.

Concerning the activities of the press and mass information, T. Balhaajab noted the activity, vigour and role they played in restructuring, warning at the same time of being responsible for the publications and of the inadmissibility of plunging from one extreme to another. The press and individuals can share their views freely within legality and in accordance with pluralism now gaining popularity, said the party secretary.

Council of Ministers Adopts Resolution on Poor

OW0403073690 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1217 GMT 3 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 2 (OANA-MONTSAME)—The national daily "UNEN" writes that the MPR Council of Ministers has adopted a resolution supporting the initiative of state, cooperative and public organizations and individuals to increase the help to needy people.

With this purpose it was decided to unify various funds, existed earlier, into a single state fund, which activity is to be regulated by the Finance Ministry and the Mongolian Women's Committee. It is envisaged that the state contribution to this fund makes up 3 mln. tugrik in 1990 and in future it will account for not less than 5 mln. tugrik a year.

The resolution notes that the sources of the fund will include the means of state and local budgets, donations from state, cooperative, public organizations, work collectives and the individuals, foreign organizations and foreigners as well as from the incomes out of accumulations of the fund council. The fund means will be spent for rendering aid to needy people, single old people, invalids and orphans.

The daily reports that the MPR Council of Ministers has also adopted a resolution on granting privileges to students when they go to their native places during their vacation and also in the urban transport.

Economic Committee Reveals Unemployment Figures

OW0503195490 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1732 GMT 5 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 5 (OANA-MONTSAME)—According to the reports of the MPR [Mongolian People's Republic] State Planning and Economic Committee of January 1, 1990, there have been registered about 24.6 thousand unemployed in Mongolia. It is by 11.5 percent less than that of the same period of the last year. 36.7 percent or 9.3 thousand of them are those who are as if looking for a job according to their profession.

The majority of the unemployed are those who graduated in 1989 from different educational establishments and received distribution to work in national economic branches. As for example, the ranks of the unemployed were replenished by 190 graduates of higher educational institutions and colleges, 251 people, who received worker's trade at vocational training schools and 3,031 boys and girls who finished 8 and 10 grades of secondary schools, 2,715 young men demobilized from the Army and 419 persons released from educational-labour colonies.

More concentration of the work resources is observed in Bayan-Olgiy, Uvs, Ovorhangay, Zavkhan, Hovd [name as received], Arhangay aymags and in Ulaanbaatar where the number of the unemployed is 17.7 thousand or 72 percent of the entire population of the country.

The first place among 18 provinces belongs to Bayan-Olgiy aymag by the number of the unemployed (4,910) and the second to Ulaanbaatar (2,373).

Survey Reveals Thoughts on Restructuring

OW0503200190 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1717 GMT 5 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 5 (OANA-MONTSAME)—MONTSAME observer Ya. Yunden writes:

So, the third year of the restructuring in Mongolia has started. The two years of restructuring were full of unexpected and unforeseen events. However, we do not surprise at this, as the restructuring is to be compared with the revolution, and any revolution is a dynamic process. But is it dynamic in life? The scientists of the Institute of Social Sciences of the MPRP [Mongolian People's Revolutionary Party] Central Committee tried to answer to this very question by having conducted a sociological opinion poll among the popoulation on a number of aspects linked with the course of restructuring in the MPR [Mongolian People's Republic]. The sociological opinion poll was held at the end of 1989 and beginning of the current year.

The outcomes of the opinion poll, carried out among nearly 1,800 people, showed that the majority of those who were questioned (60 percent), see the main reason of the restructuring in the economy. To the question "who hinders the restructuring?" more than a half of participants in the poll, mainly the workers [words indistinct] answered: "The administrative-command system which is still in force." In both questions the second is the problem of incompetence of leading personnel and their inability to get rid of the outdated thinking and stagnant management methods as quick as it should be.

The opinion in estimating the preparedness of these and other walks of the population to take a practical participation in realizing the restructuring is very different. Only 18 percent stated the preparedness of society to take part in this process. One should suppose that this is linked with the fact that the people cannot understand yet what they should do for the restructuring and have not found a concrete place in it yet. In fact, as I think, the main thing is the start and then everything will go smoothly. We face not only previous problems, but there appear new ones. Uncertainty gives rise to fear and lack of self-confidence on one hand and on the other hand it gives such an idyllic picture of triumphant procession of the restructuring the latter specially annoy those who have to overcome the growing burdens of life. [sentence as received]

The people are not satisfied with the rates of realization of the decisions of the Fifth MPRP CC [Central Committee] Plenum (1988). The outcomes of the sociological opinion poll showed that about 60 percent of those questioned are of such a point of view, mainly they are unsatisfied with the course of restructuring in economy and spiritual sphere. It is interesting that unsatisfaction over the rates of restructuring is expressed mainly by the people who are over 50.

The results of the opinion poll evidence indisputable interest of the people in the press as the main source of information on changes taking place in the life of the Mongolian society; more than three-fourths of participants in the sociological experiment are the representatives of intelligentsia and they stated that they read systematically all publications dealing with the problems of restructuring and renovation. Suffice it to note that exactly the intellectuals are not satisfied with the quality of publications because there is a lack of constructiveness and there is a tendency towards extreme exaggeration to the real situation and the lack of profound analysis. Livestock breeders and workers are of different opinon.

Almost half of those questioned think that the restructuring only starts in the life of work collectives. The working people are unsatisfied with the law on state enterprise and the law on cooperatives, adopted in 1989. The participants in the opinion poll are unanimous in view that for further enhancing the restructuring process. It is imperative, first of all, to resolutely renew the personnel and expand democracy and openness, gradually switch to commodity-market relations, carry out restructuing in production relations in the rural areas and develop different types of property. The majority of correspondents speak for elaborating a national conception of the country's economic development and perfecting the currently existing mechanism of price formation and financial credit system.

The participants in the opinion poll were asked to define the level of democracy and openness. About 65 percent answered that democracy and openness today do not fully accord with the demands of the restructuring; 27.2 percent provided a negative reply. The last question was how they treat pluralism: 33.8 percent spoke for further development of this process and 37.2 spoke for some restrictions in this respect. Suffice it to add with regret that 42.6 percent of representatives of intelligentsia spoke for some restrictions in pluralism against 35.2 percent who are for the development of this process.

Nation Said at 'Insufficient' Development Level

OW1103112590 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0930 GMT 11 Mar 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, March 9 (OANA-MONTSAME) [dateline as received]—The national daily "UNEN" has published a draft programme declaration of the MPRP [Mongolian People's Revolutionary Party] for a nationwide discussion. The draft is prepared by a commission on preparing a new edition of the MPRP programme. The scholars, who took part in its elaboration, took into account, as the daily notes, the proposals and suggestions regarding the party's socio-economic policy, the ways and methods of renovation of its activity, elimination of consequences caused by errors and [word indistinct].

The draft document notes that the MPRP led the struggle of the Mongolian people on their historical road of achieving national independence as a result of the 1921 revolution, overcoming the feudal backwardness, reviving the prestige of the Mongolian nation and gaining social progress. Thanks to this, the country is in a worthy place among the number of civilized countries. The document says that the Mongolian people enjoy all and basic socio-economic rights and freedoms.

The draft notes that despite achieved successes, the country is at an insufficient level of the development of productive forces, in which there are errors committed by the party under the influence of Stalinism. As the draft document points out, the MPRP should renew its activity and at the same time be named as the Mongolian People's Party, as it was at the time of its foundation under the leadership of D. Suchbaatar.

The draft programme declaration of the party notes that its aim is to create a humane and democratic socialism on the Mongolia earth. [paragraph as received]

The "UNEN" has also published the draft party rules prepared by the above-mentioned group of scholars with an account of proposals and suggestions coming from party members and working people.

Withdrawal of U.S. Forces Condition for IAEA

OW0603043690 Tokyo TOKYO SHIMBUN in Japanese 2 Mar 90 Morning Edition p 3—FOR OFFICIAL USE ONLY

[Text] It has been learned recently that the DPRK, which is suspected of developing nuclear weapons, has set the withdrawal of U.S. forces in South Korea as its condition for accepting International Atomic Energy Agency (IAEA) verification in the country. This was revealed by a Japanese Government source on 1 March. North Korea's development of nuclear weapons came up as a topic at the U.S.-Soviet foreign ministerial talks in Moscow in mid-February. Soviet Foreign Minister Shevardnadze stated then that "North Korea will conclude a verification agreement with the IAEA soon." However, if North Korea does not give up its condition of having the U.S. forces withdraw from South Korea, the conclusion of the verification agreement will be practically impossible.

Japan and the United States are very concerned about this development. It is possible that this issue will be taken up during the Japan-U.S. summit meeting or foreign ministerial meeting at Palm Springs, California on 2 and 3 March.

North Korea signed the Nuclear Non-Proliferation Treaty in December 1985 but has not been subject to IAEA verification, which is required of the treaty nations. IAEA verification is designed to check whether member nations' nuclear energy development is limited to peaceful purposes or whether such energy development is being diversified to military use; it forms the very core of the Nuclear Non-Proliferation Treaty.

Treaty nations are required to conclude a verification agreement with the IAEA not later than 18 months after signing the treaty, or not later than 36 months after signing even when there are restraining reasons. North Korea has not done so even though its 36-month "probation period" ended in December 1988.

According to a government source, negotiations between North Korea and the IAEA to conclude the verification agreement had made substantial progress. However, at the last minute, North Korea set the "withdrawal of U.S. forces in South Korea" as its condition for accepting verification in the country, and asked that the implementation of the agreement be suspended until this condition is met. It is believed that the reason North Korea is hesitant is due to its concern about the nuclear weapons allegedly possessed by U.S. forces in the ROK.

The IAEA is expected to take up the "North Korea question" as a vital issue at its board meeting in Vienna this coming June. The IAEA is extremely disconcerted at North Korea's bringing up the "withdrawal of U.S. forces from the ROK," a matter that is outside its jurisdiction.

Sports Official on Joint Korean Team for Asiad

OW0603142590 Tokyo YOMIURI SHIMBUN in Japanese 5 Mar 90 Morning Edition p 17—FOR OFFICIAL USE ONLY

[Report and "excerpts" of a YOMIURI SHIMBUN interview with Vice Chairman Pak Myon-chol of the DPRK State Committee for Physical Education Guidance in Sapporo, Hokkaido, Japan on 4 March]

[Text] Chairman Pak Myon-chol (vice chairman of the State Committee for Physical Education Guidance) of the DPRK (North Korean) team currently in Sapporo for the Second Asian Winter Games gave an interview to YOMIURI SHIMBUN on 4 March. He reiterated the North Korean position on the issue of forming a joint North and South Korean team for the Asian Games in Beijing this autumn.

The North-South sports talks, aimed at forming a joint team practically broke down after the ninth session on 7 February. Chairman Pak stressed that North Korea has not changed its policy of participating in the games in a joint team. He said that breaking the deadlock will basically depend on South Korea's accepting the three basic demands presented by the North, including the repeal of the rider on guaranteeing implementation. He stood firm on North Korea's position thus far.

Furthermore, he said that North Korea would work for the formation of a joint team up until the day the games open. As to what the North will do, whether it will refrain from participation or participate separately, if the South decides to go to the games independently, he said, "I cannot make any statements presupposing a breakdown in the negotiations," thus avoiding any clear commitment.

South Korea has already declared the negotiations to have broken down after the ninth round, and stated its intention to participate independently. The situation has become very difficult for a joint team to the Beijing Asian Games to materialize. The deadline for filing national entries is 22 June, and the games open on 22 September. Steps to be taken by North Korea and host country China until then will be noteworthy.

The following are excerpts from the interview with Chairman Pak:

[YOMIURI SHIMBUN] What will you do to realize a joint team?

[Pak] There can be no progress, unless the South makes a clear statement on the three basic demands enumerated by the chairman of the North Korean negotiating team: 1) a declaration on the forming of a joint team; 2) complete repeal of the rider; and 3) the retraction of the statement on independent participation.

[YOMIURI SHIMBUN] When is the time limit for a solution?

[Pak] Although we are in a tight situation, there is still time. The policy of working for the realization of a joint

team remains unchanged. We shall exert our utmost efforts up to the day of the opening ceremony.

[YOMIURI SHIMBUN] What will you do if the South decides to participate as an independent team?

[Pak] We would like to exert efforts up to the last minute. I will refrain from making any statement presupposing a breakdown in negotiations.

[YOMIURI SHIMBUN] Will a joint North-South team also be the prerequisite for participation in the Third Asian Winter Games, scheduled for North Korea in 1995?

[Pak] Not necessarily a prerequisite, but we strongly hope for that. The realization of a joint team in the Beijing Asian Games is a first step toward this.

[YOMIURI SHIMBUN] Will you propose Japan-North Korea sports exchanges to the Japan Olympic Committee (JOC) during your stay in Japan?

[Pak] I have no such plans. Without support at the governmental level, there are many obstacles to the promotion of such exchanges.

Pham Van Dong Says One-Party Rule To Continue

OW0903040290 Tokyo MAINICHI SHIMBUN in Japanese 7 Mar 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Report on "exclusive" MAINICHI SHIMBUN interview with Pham Van Dong, adviser to the CPV and former premier, on 6 March in Ho Chi Minh City; filed by correspondent Yutaka Aramaki]

[Text] Pham Van Dong, adviser to the Communist Party of Vietnam [CPV] and former premier, expressed his views on how Vietnam should cope with the rapid political changes that have taken place in Eastern Europe and the Soviet Union since last year, in an exclusive interview he granted to MAINICHI SHIMBUN on 6 March in Ho Chi Minh City.

In the interview, the former premier indicated a stern view, saying, "The situation in which Communist Party leaders in East European countries have lost the people's trust is regrettable indeed. The crisis facing socialist countries, including Vietnam, will continue for some time to come." However, regarding the "introduction of a multiparty system," which even the Soviet Union has adopted, he emphasized that Vietnam intends to continue upholding one-party rule by the Communist Party, saying, "What the Vietnamese people desire most at present is economic development under stable social conditions."

This is the first time that a CPV leader has granted an interview to a reporter from any Western nation in the wake of the historic changes in Eastern Europe and the Soviet Union.

The CPV is scheduled to begin the Eighth Plenum of its Central Committee on 12 March. At the plenum, General Secretary Nguyen Van Linh will announce to the people Vietnam's own "survival plan," which includes policies of "attaching importance to parliament and further liberalizing economic activities" instead of introducing an opposition party system. He made the decision after holding a series of consultations with Dong and other leaders.

The former premier retired from the premiership at the sixth party congress in late 1986 and has since been installed as a party adviser and a "caretaker" for General Secretary Nguyen Van Linh.

Pham Van Dong highly appraised the basic ideology, advocated by Soviet Chairman Gorbachev, of "pursuing humane and democratic socialism." He added: "Marx and Lenin also stressed the importance of man. Leaders of the East European countries forgot the basic principle of 'respect for the people' stressing that history is made by man and the revolution is propelled by man."

The political changes in Eastern Europe, he said, "have dealt a heavy blow to the world's socialist movement." He added: "Socialism has not perished. It will certainly progress during the early part of the 21st century as 'an ideology which gives man greater freedom and happiness.' However, the critical situation occurring before our own eyes will continue."

Regarding Vietnam's own measures to cope with the situation, he said: "Vietnam under the leadership of the late Chairman Ho Chi Minh fought it out and won independence and unification. It is the unanimous desire of the people to expand people's rights while improving the people's living standards and to pursue the construction of democracy and socialism as befits Vietnam."